

MILLER & CARTER
- STEAKHOUSE

WELCOME

Mitchells
& Butlers
Full Year Results 2016

BURSTING WITH
Flavour



SHARE OUR 300g SPECTACULAR
• LONG BONE TOMAHAWK •



Financial Review 2016

Tim Jones

Finance Director

Income statement

(Pre adjusted items)

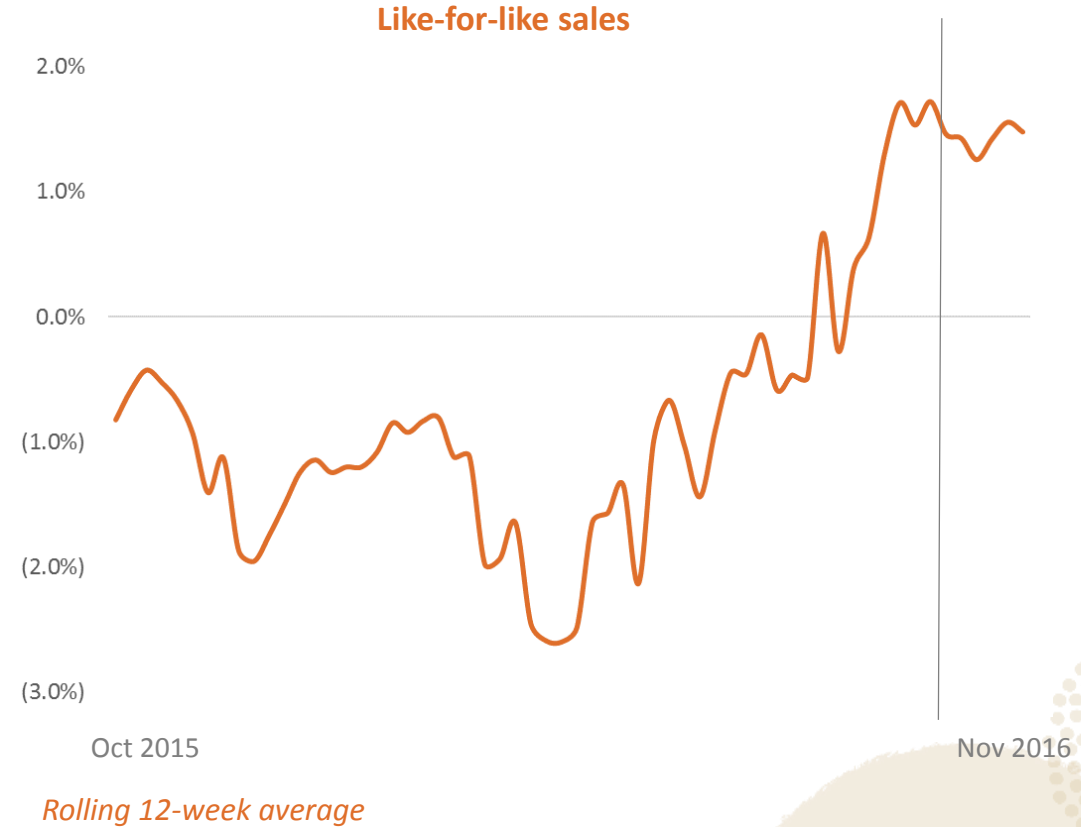
	FY 2016 £m	FY 2015 £m	
Revenue	2,086	2,101	(0.7%)
Operating costs	(1,768)	(1,773)	
Operating profit	318	328	(3.0%)
Interest	(125)	(129)	
Pensions finance charge	(12)	(15)	
Profit before tax	181	184	(1.6%)
Operating margin	15.2%	15.6%	(0.4 pts)
Earnings per share	34.9p	35.7p	(2.2%)

Like-for-like sales

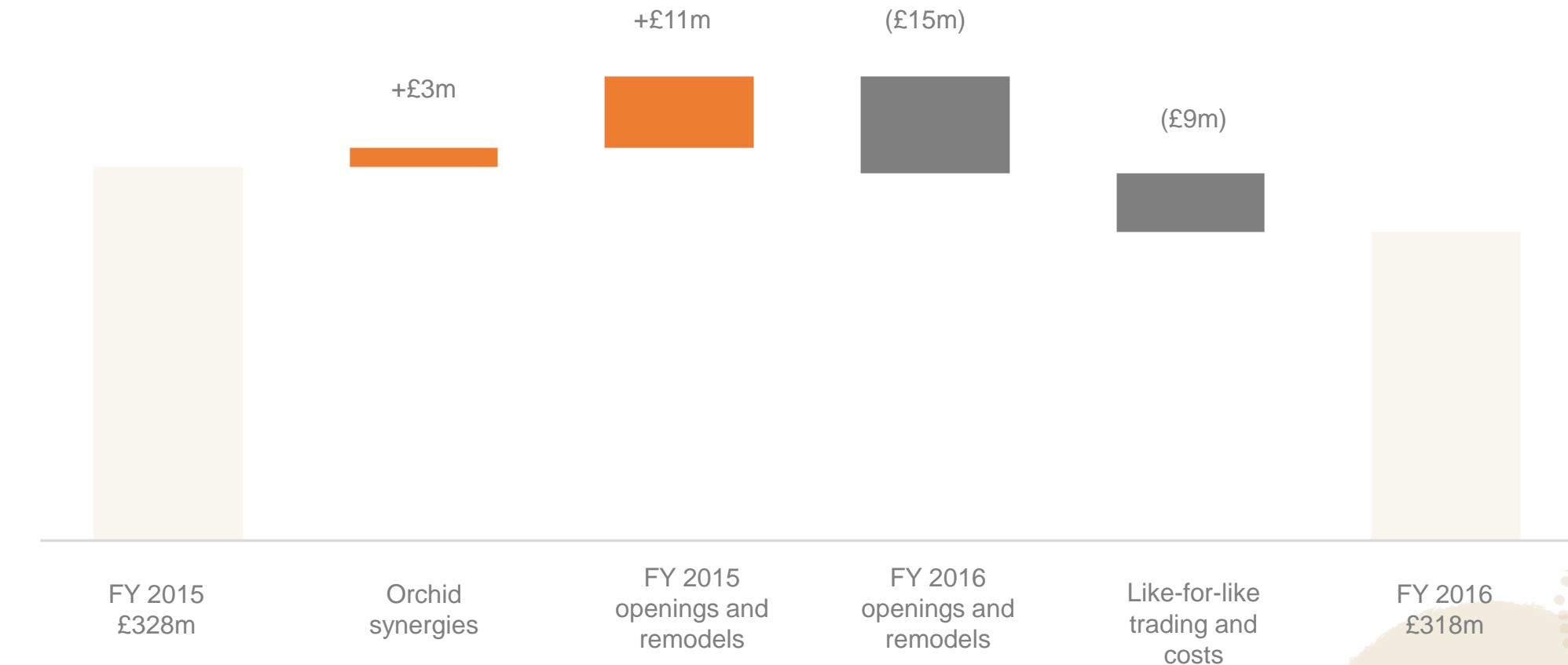
	Week 1 – 28	Week 29 – 52	Week 1 – 52	Week 1 – 8 FY 2017
Food	(2.0%)	(0.8%)	(1.4%)	0.2%
Drink	(1.5%)	1.3%	(0.1%)	0.6%
Total	(1.6%)	0.2%	(0.8%)	0.5%

Like-for-like sales progress

- Building sales momentum
- Impact of events
 - Euro 2016
 - Weather in September
 - Rugby World Cup
- Growth driven by mix, spend per head and price



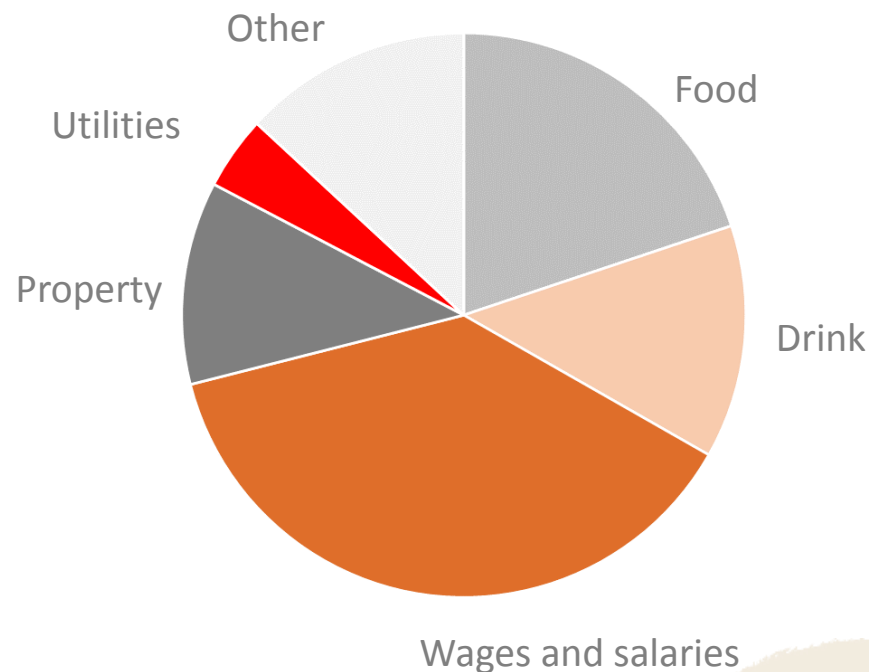
EBIT movement



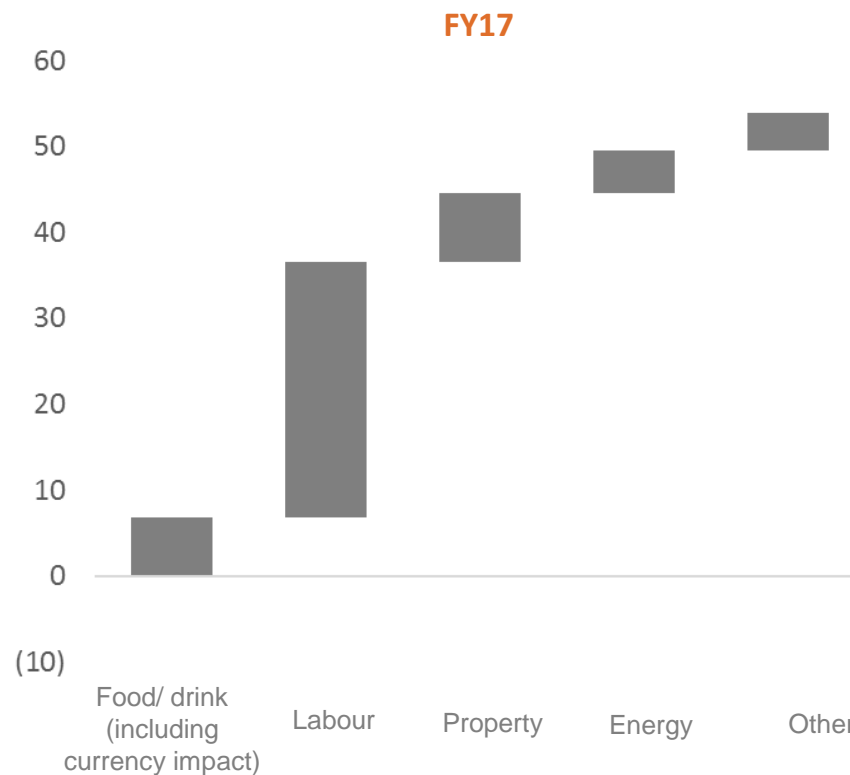
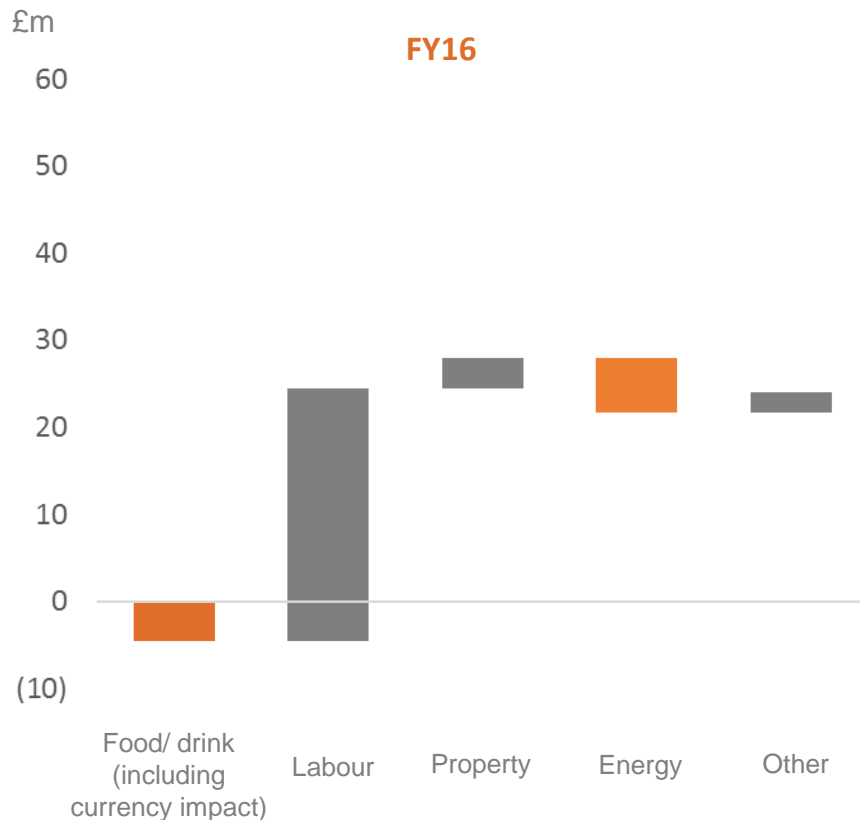
Inflationary cost headwinds - summary

- Labour:
 - NLW increase (Apr 2017)
 - Potentially two NMW increases (Oct 2016 + Apr 2017)
 - Apprentice levy (Apr 2017)
- Business rates increased 20% from April 2017 with transitional relief to 2022
- Duty and £ supply chain inflation assumed to be benign. Approx. 50% bought forward
- Currency impact on supply chain:
 - £100m of non £ purchases
- Utilities incl. energy. Approx. 50% bought forward

MAB cash cost base (£1.6bn)



Inflationary cost headwinds – FY16 and FY17



- Overall inflationary headwind of c3.5% on cost base of £1.6bn

Mitigation of inflationary headwinds

- Cost management:
 - Continue to leverage purchasing scale
 - Substitution of inputs (particularly to reduce foreign currency exposure)
 - Savings initiatives at both site and overhead level
- Sales growth:
 - Price increases anticipated
 - Increased spend per head and estate premiumisation
 - Volumes

Group cash flow

	FY 2016 £m	FY 2015 £m
EBITDA	431	439
Working capital / non cash items	(7)	48
Pension deficit contributions	(49)	(86)
Cash flow from operations	375	401
Maintenance & infrastructure capex	(115)	(116)
Expansionary capex	(52)	(46)
Net interest paid	(125)	(127)
Tax	(28)	(25)
Other	5	8
Free cash flow before exceptional items	60	95
Dividends	(31)	-
Operating exceptional	-	(6)
Net cash flow	29	89
Group net debt	(1,840)	(1,870)
Net debt : EBITDA	4.3x	4.3x

- Estate comprised of more than 80% freehold and long-leasehold sites
- Freehold and long leasehold properties valued annually
- 20% of sites inspected per annum
- Short leaseholds assessed for impairment
- Total value of £4.4bn (FY 2015 £4.2bn)

		FY 2016 £m	FY 2015 £m
Income statement	Revaluation	(80)	(54)
	Other impairment	(8)	(11)
Balance sheet	Revaluation reserve	216	25
		128	(40)

Capital expenditure and returns

- Acceleration in remodel / conversion investment through FY16 and FY17
- Expansionary returns increased to 20% (FY 2015: 18%)
- Capex expected to be c£200m for FY17
- Likely disposal of c75 sites during FY17

	FY 2016		FY 2015	
	£m	# sites	£m	# sites
Maintenance and infrastructure	81		82	
Remodels – maintenance	34	137	34	116
Remodels – expansionary	13	38	-	-
Conversions	31	77	23	51
Sub total	78	252	57	167
Acquisitions – freehold	1	2	10	4
Acquisitions – leasehold	7	6	13	10
	167		162	

Summary

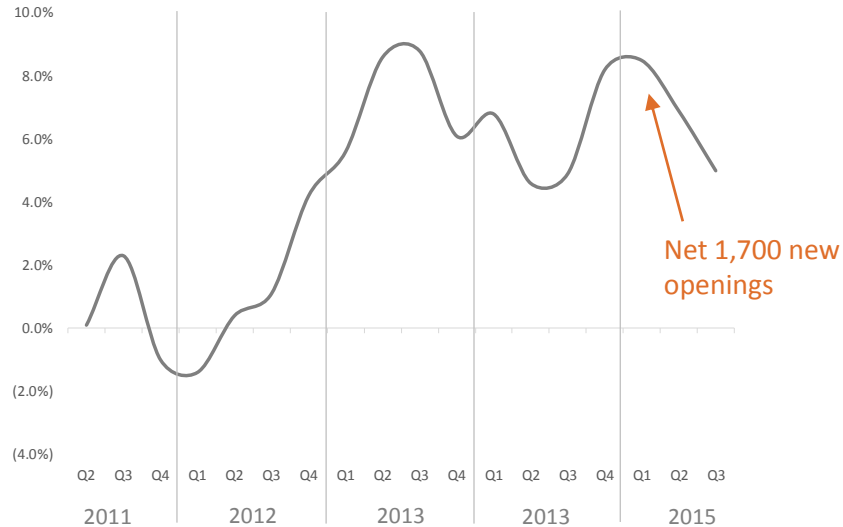
- Improved sales performance in the second half
- Margins will continue to be impacted by cost headwinds
- Final dividend of 5.0p approved (full year 7.5p)
- Negotiations with Trustees of pension schemes ongoing



Business Review 2016
Phil Urban
Chief Executive

Recap

Restaurants Supply Growth % - to Sep 2015



Source: CGA Outlet Index

- Challenges to address
 - High levels of new supply
 - Under-invested estate
 - Introduction of NLW

- Three priorities identified
 - Building a more balanced estate
 - Instilling a more commercial culture
 - Driving an innovation agenda



Reminder: H1 - Like-for-like sales

	Week 1 – 17	Week 18 – 28	Week 1 – 28	Week 29 – 33
Food	(1.5%)	(2.6%)	(2.0%)	(1.1%)
Drink	(0.6%)	(2.8%)	(1.5%)	0.4%
Total	(1.0%)	(2.6%)	(1.6%)	(0.4%)

My priorities



Build a more balanced business

- Brand propositions
- Conversion to successful formats
- Upgraded amenity in core



Instil a more commercial culture

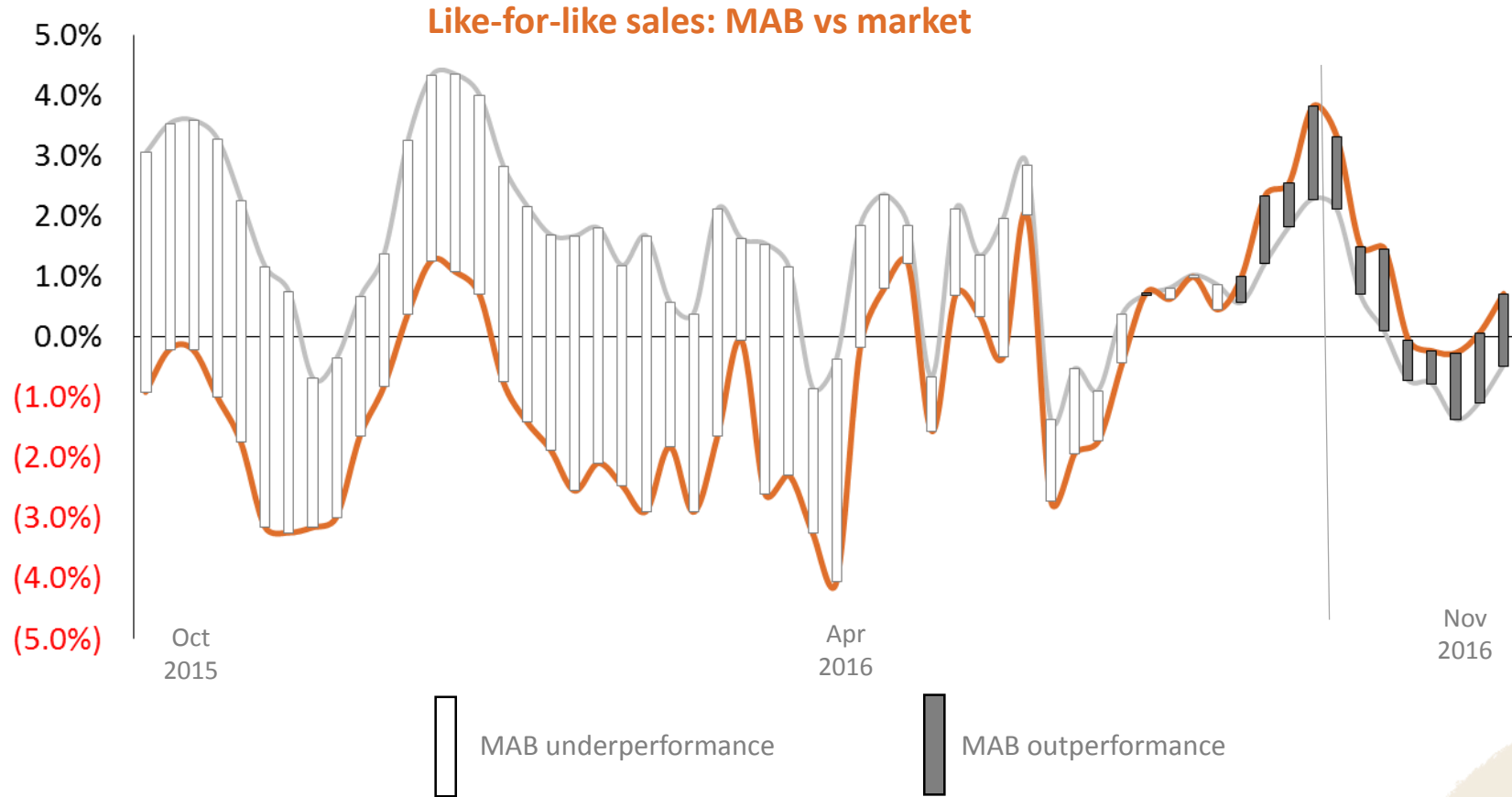
- Profitable sales
- Core operational drivers



Driving an innovation agenda

- Build on technology investment
- Digital marketing
- New concept development

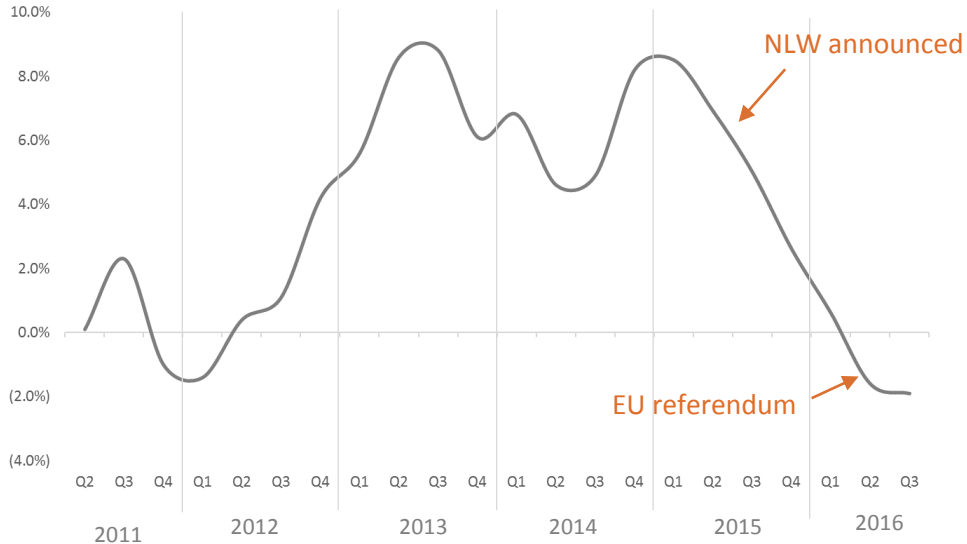
Performance versus market



Rolling four-weekly average vs Peach Tracker

External environment

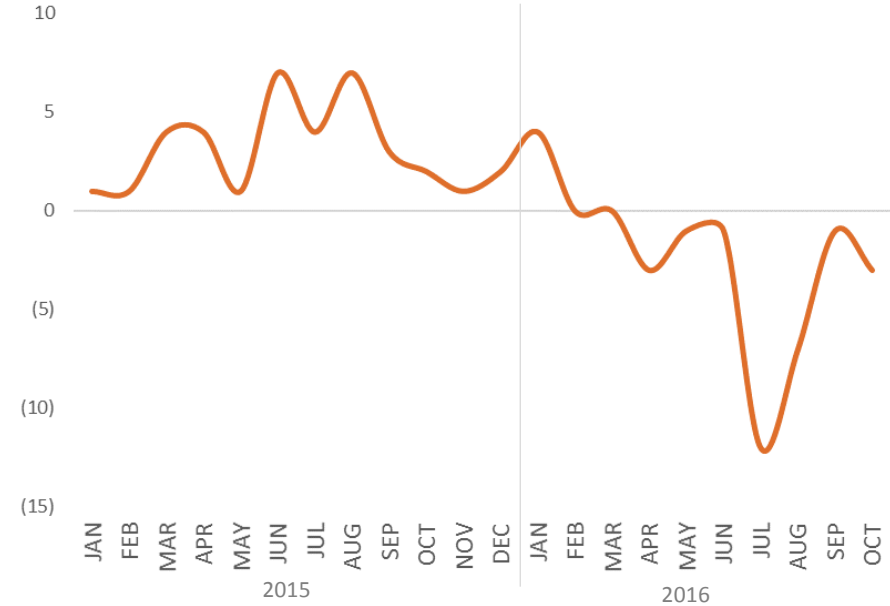
Restaurants supply growth % - to Sep 2016



Source: CGA Outlet Index

- Consistent supply growth from 2013 to mid-2015
- Slowdown since Summer 2015

UK Consumer Confidence

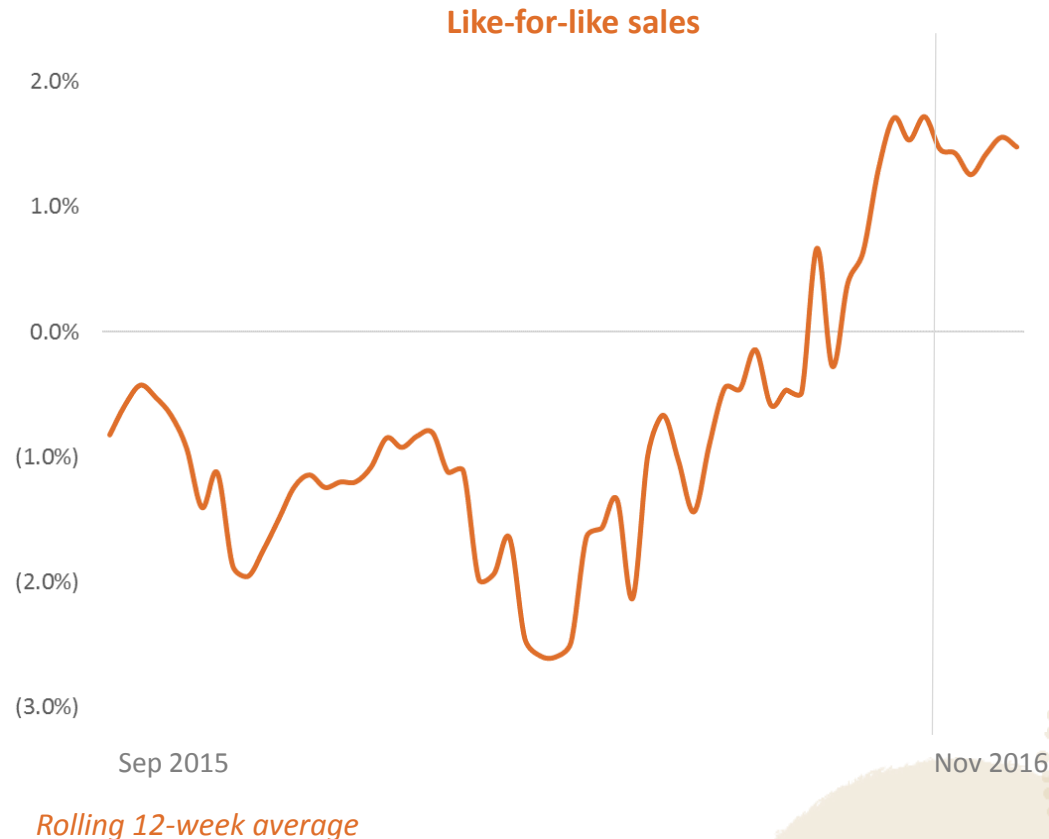


Source: Trading Economics

- Confidence remains below pre-referendum levels
- Exchange rate impacting input costs

FY 2017 – Performance in first 8 weeks

- Continued sales momentum
 - Rugby World Cup in prior year impacted early weeks
 - Sales growth in recent weeks in line with Q4
- Significant cost headwinds
 - Focus on mitigation where possible



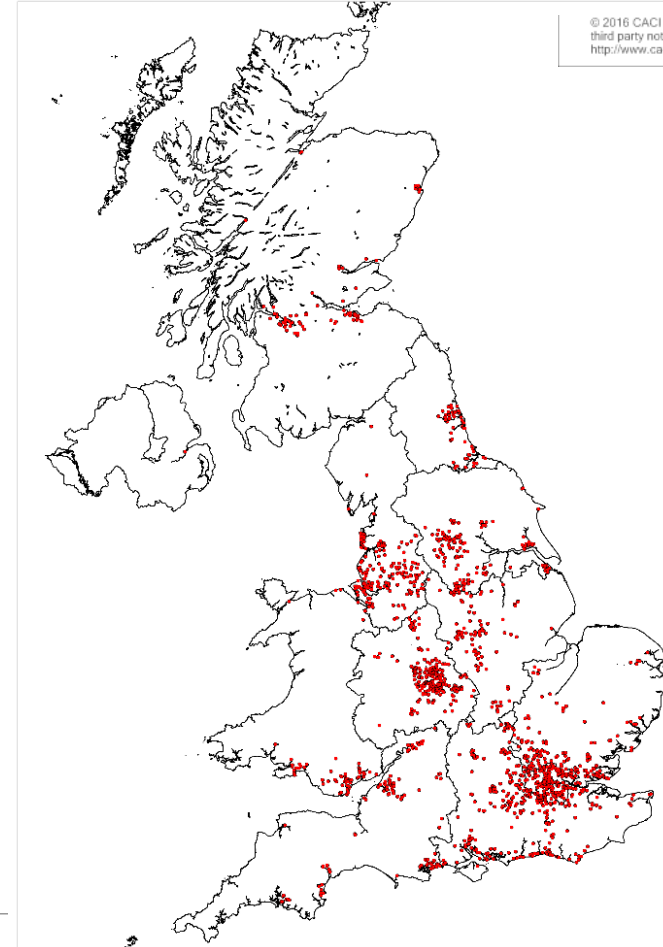
- Unprecedented level of cost headwinds
- Potential for sector price movement
- Ongoing internal focus





Rebalancing our portfolio

- Full estate review: right brand identified for each site
- Insight-driven brand reviews
- Conversion and remodel program to deliver balance
- Ongoing estate review for acquisitions and disposals



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Brand conversions



Miller & Carter

- Continued growth through acquisition and conversion
- 52 sites at year-end
- Intention to reach c100 sites by the end of 2017
- 12 conversions generating returns >40%



Stonehouse

- New brand for Pizza / Carvery concept
- 36 sites at year-end
- Intention to reach >80 sites in 2017
- Returns >25%

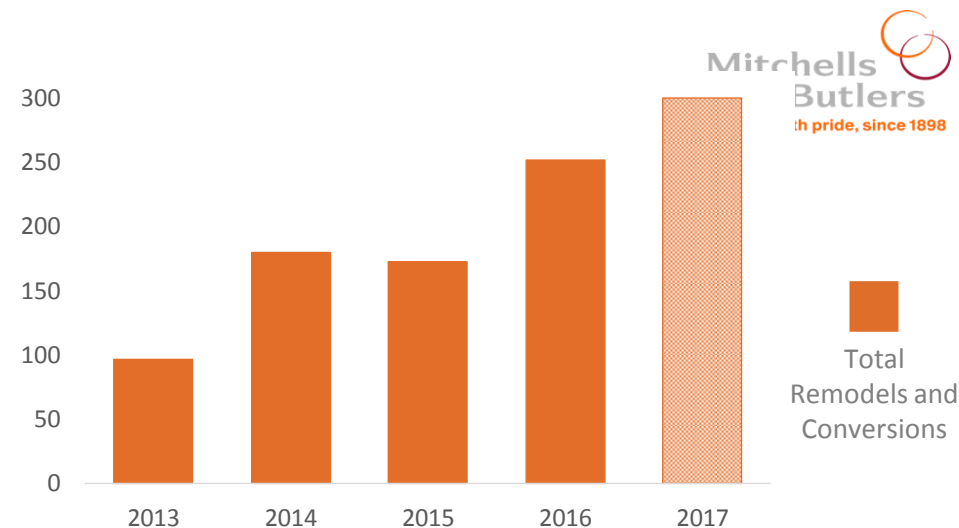


Balancing the estate



Harvester

- Brand development through 'Feel Good Dining' template
- 32 remodels completed with strong sales and profit uplifts
- Further 50 planned for FY 2017
- Returns > 25%

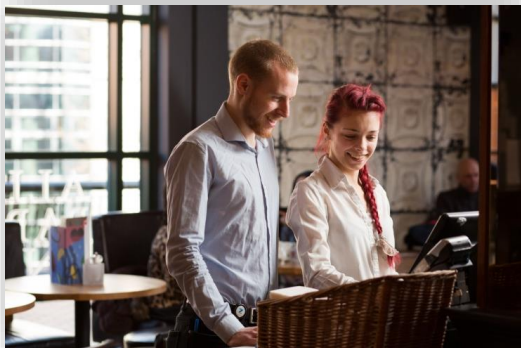


Remodels and disposals

- Acceleration of remodel and conversion capex
- Remodel program across *all* brands
- Ongoing investment cycle of c6 years beyond FY 2017
- Disposal package on the market



Sales-focused culture



Sales training

- Workshop delivered for c600 managers and c110 Area Managers



Sales teams

- 11 London sales managers in operation
- Incremental profit in second half
- Expansion to other cities in progress



BT Sport

- Reintroduced to 539 businesses



Guest care

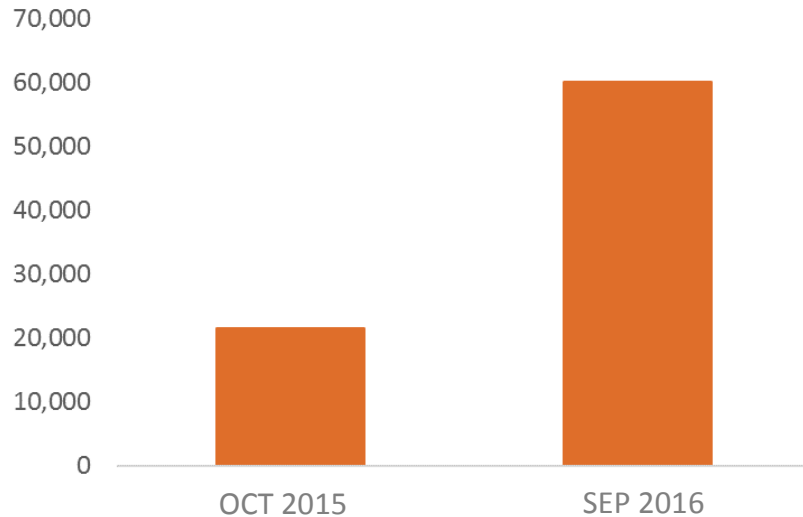
- Focus on speed of complaint resolution
- Improved from >11 days to c48 hours
- Use guest feedback to minimise complaints





Improving technological capability

Online bookings – average per week



- Improvement in online booking channels and immediate availability
- Majority of bookings now through brand websites
- More than half of bookings now online



Bookatable♥



Digital sales drivers



+8% *average score*

+47% *total reviews*

54% *reviews responded to*



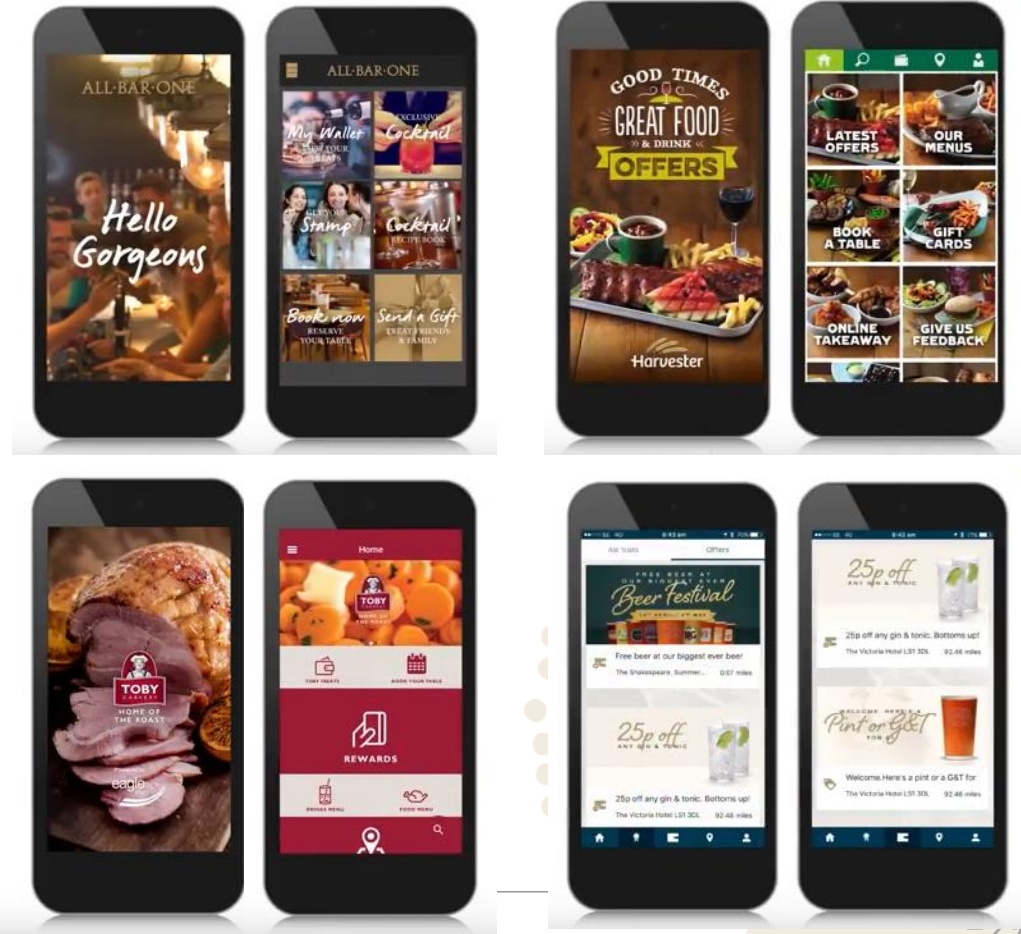
- Management of guest feedback across all channels
- All Managers live with Trip Advisor accounts
- Early evidence suggests link to sales, bookings and guest care performance

- Initial Deliveroo trial showing strong incremental sales
- Delivery opportunity for c25% of the estate
- Further rollout planned with multiple partners



Multiple digital channels

- Five brand apps launched
 - More than 400,000 downloads
 - Stronger link to response rates
- Loyalty mechanic to be launched
- Gift card sales up >40% to >£6m





New concept development

- Fostering an innovative experimental ethos
- Chicken Society
 - Fast-casual chicken concept aimed at Millennials
 - First site opening December 2016
 - Possible solution for other sites and secondary trading space
- Other new concepts in development



- Improving engagement
 - Internal surveys showing improving trend
 - Higher response rates
 - Scores up across frontline teams and support centre
- Correlation seen between engagement and business metrics



Summary and outlook

- Continued sales momentum from Q4 into the new financial year
- Outperformance versus subdued market in recent months
- Good progress against business priorities
- Cost headwinds and potential exchange rate impact



Questions