

27 July 2023

Mitchells & Butlers plc
LEI no. 213800JHYNDNB1NS2W10

Third Quarter Trading Update

Trading statement covering the 43 weeks ended 22 July 2023.

Sales

Sales comparisons, unless otherwise stated, are to the same period in FY 2022.

Continued strong trading through the third quarter has increased like-for-like sales in the year to date to 8.9%, with total sales growth now of 10.5%.

Like-for-like sales:

	W1-15 Q1	W16-28 Q2	W1-28 H1	W29-43 Q3	W1-43 YTD
Food	6.4%	5.2%	5.8%	11.6%	7.9%
Drink	15.5%	9.9%	12.8%	7.4%	10.7%
Total	10.4%	6.4%	8.5%	9.7%	8.9%

Like-for-like sales in the third quarter increased by 9.7%, as we continued to out-perform the market^a and with both food and drink volumes in growth. We achieved a record-breaking Father's Day in June and sales performance across the quarter was relatively consistent outside of weeks impacted by industrial action on national transport systems.

Against FY 2019, year-to-date like-for-like sales are up 10.0%, with growth driven by spend-per-head.

Investments

We continue to focus on investment in the estate and in the year to date we have completed 116 conversions and remodels and opened 4 new sites.

In June 2023 we completed the acquisition of the remaining 60% in 3Sixty Restaurants Limited, owners of Ego Restaurants. Ego is a collection of Mediterranean inspired pubs and restaurants where guests can enjoy freshly cooked food, cocktails, cask ales and wine from across the Continent. It currently has 26 sites, including 16 that are leased from Mitchells & Butlers.

Banking Facilities

We have successfully refinanced our unsecured debt facilities which were due to expire in February 2024. The new Revolving Credit Facility ('RCF') has been increased in size to £200m based on a wider banking group, including the continued support of all existing banks, and extends for a further three years to July 2026. The RCF remains unsecured, with a negative pledge in favour of participating banks, and is based on two main financial covenants – net debt to ebitda to not exceed 3.0 times (as before) and ebitdar to rent plus interest of not less than 1.25 times (reduced from 1.5 times). The facility is undrawn at the current time.

Pensions

We are delighted to announce that the trustees of the M&B Main Pension Plan, working closely with the Company, have now successfully completed a full scheme buy-in with Standard Life. This transaction follows on from the completion of the buy-in of the Executive Plan announced last year and eliminates substantially all remaining pensions risk in the group.

Committed contributions are all being made into blocked escrow accounts and, after many years, will cease altogether in September this year.

Outlook

There are indications that cost inflation is now starting to abate such that the current year cost headwind should be at the bottom end of the 10-12% range previously identified. We are working hard to mitigate these pressures as far as we are able, both through driving sales growth and implementing efficiencies, which should allow margins to start to rebuild towards pre-covid levels from next year.

Whilst we remain mindful of the challenging macroeconomic environment, and pressures on the consumer in particular, an improving cost outlook and continued strong trading through the third quarter give us confidence that the current year outturn will be at the top end of consensus expectations, with continued momentum into FY 2024.

The current financial year will be a 53-week accounting year to 30 September 2023.

Phil Urban, Chief Executive, commented:

“We are very pleased to report continued strong like-for-like sales growth through the quarter based on out-performance against the market^a and underpinned by volume growth in both food and drink.

We remain focused on our Ignite programme of initiatives and our successful capital investment programme, driving cost efficiencies and increased sales. Combined with our diverse portfolio of established brands, value proposition and enviable estate locations, we believe this leaves us well positioned to continue to outperform the sector^a and deliver a strong full year performance.”

Definitions

a – As measured by the Coffer CGA Business Tracker

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Note for editors

Mitchells & Butlers is a leading operator of managed restaurants and pubs. Its portfolio of brands and formats includes Harvester, Toby Carvery, All Bar One, Miller & Carter, Premium Country Pubs, Sizzling Pubs, Stonehouse, Vintage Inns, Browns, Castle, Nicholson's, O'Neill's, Ember Inns and Ego Restaurants. In addition, it operates Innkeeper's Collection hotels in the UK and Alex restaurants and bars in Germany. Further details are available at www.mbplc.com and supporting photography can be downloaded at www.mbplc.com/imagelibrary.