



Half Year Results – 18 May 2012



Bob Ivell

Executive Chairman



Tim Jones

Finance Director

Income statement

28 weeks ended 7 April 2012



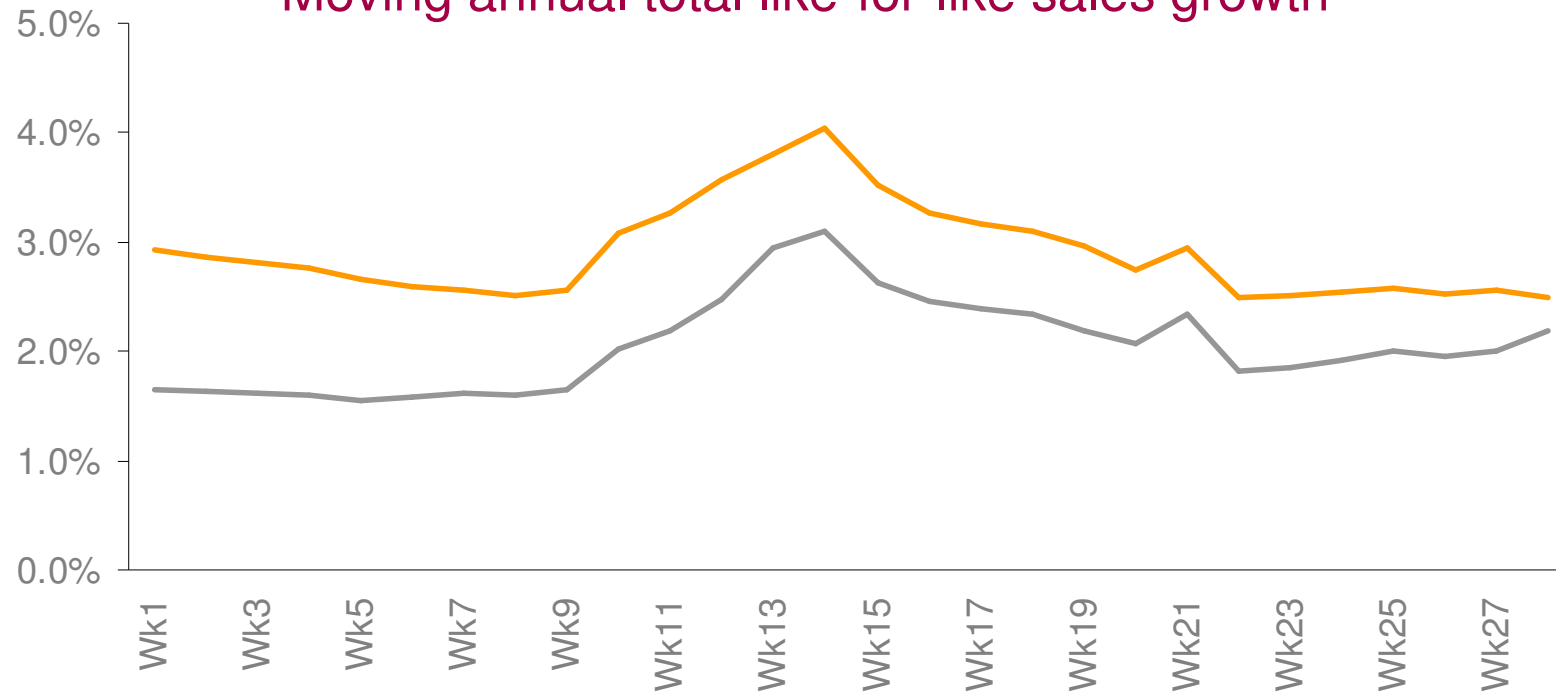
	H1 2012 £m	H1 2011 £m	
Retained Estate:			
Revenue	969	912	6.3%
Operating profit	138	136	1.5%
Disposed operations	-	5	
Total operating profit*	138	141	(2.1%)
Interest*	(70)	(78)	
Profit before tax*	68	63	7.9%
Earnings per share*	12.5p	11.3p	10.6%

* Stated before exceptional items and other adjustments

Like-for-like sales growth vs market



Moving annual total like-for-like sales growth



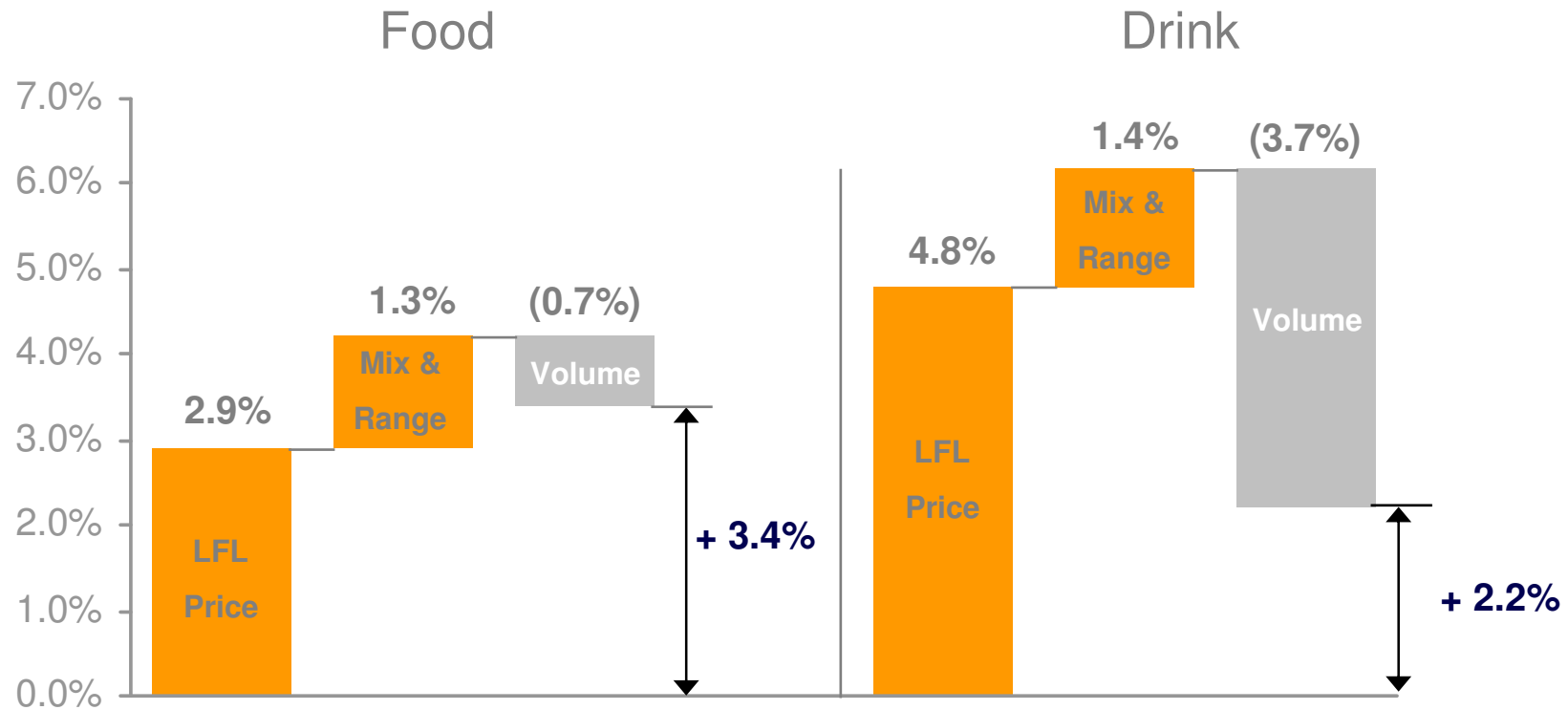
M&B

Peach Tracker

Note: The chart shows MAB retained estate like-for-like sales & Peach Pub Tracker sales on a moving annual total basis (i.e. last 52 weeks)

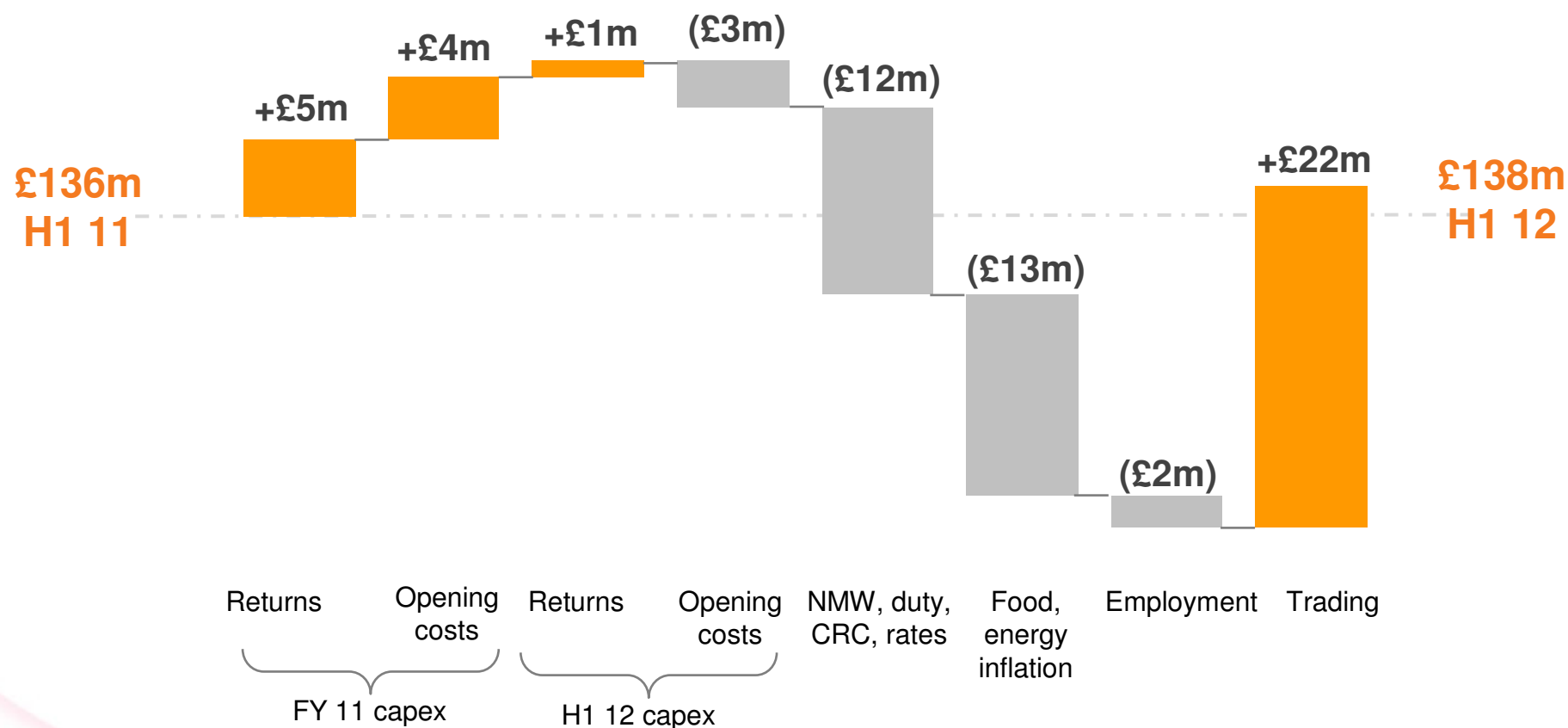


Drivers of LFL food and drink sales

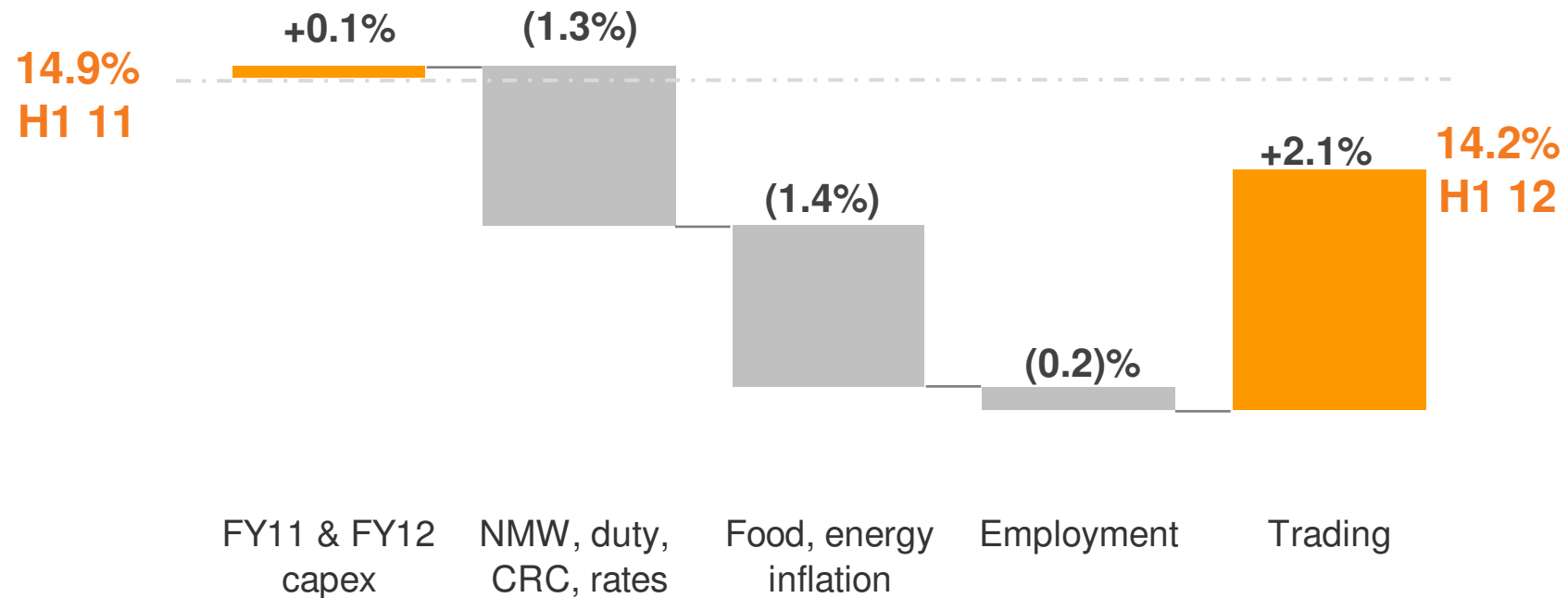


Total LFL sales growth of 2.7%

Retained Estate: EBIT movement



Retained Estate: net operating margin



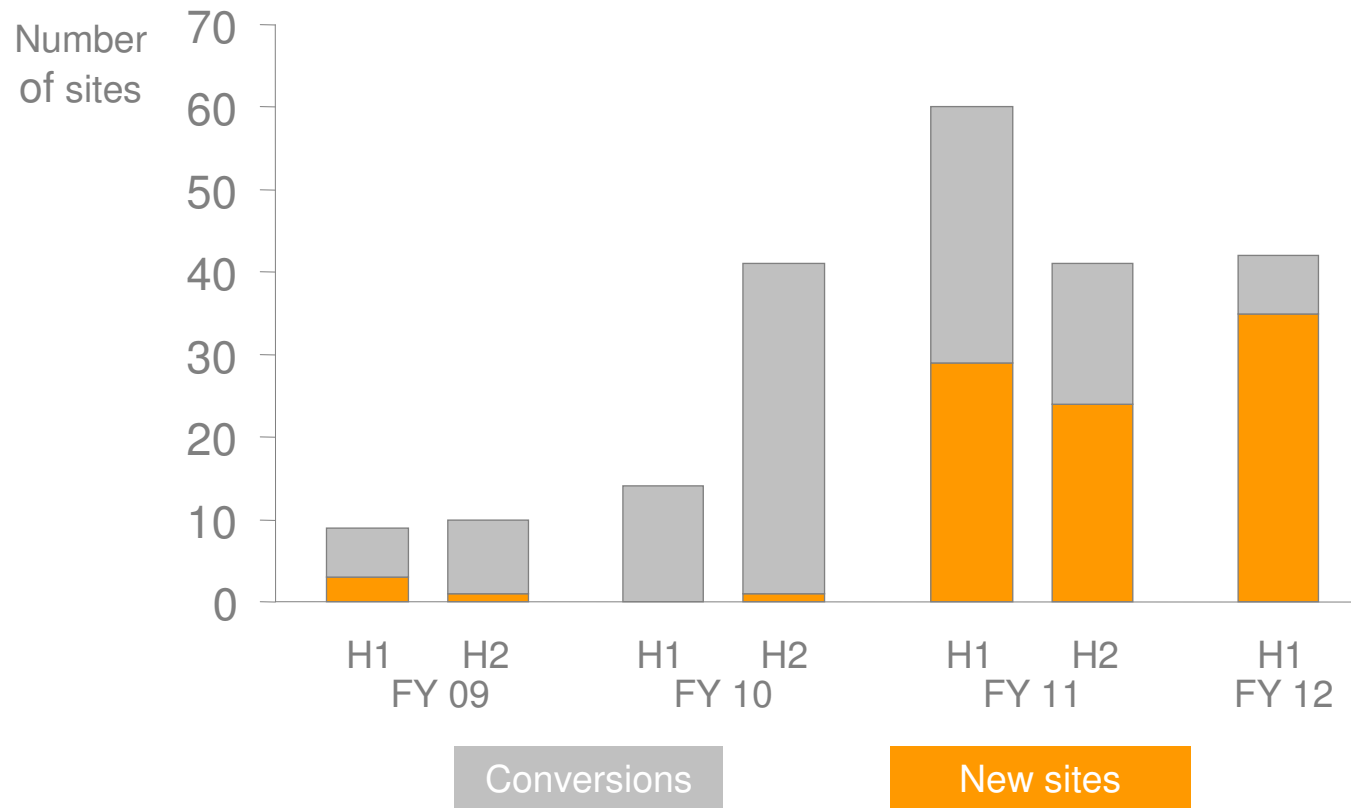
Exceptional items



	H1 2012 £m	H1 2011 £m
Profit / loss on asset disposals	-	(3)
Pensions curtailment charge	-	(13)
Bid defence	(6)	-
Restructuring and reorganisation		
IT infrastructure	(7)	-
Support operations	(7)	-
Operating exceptionals	(20)	(16)
IAS19 pensions finance charge	(6)	(4)
	(26)	(20)
Tax credit	11	11
	(15)	(9)

- Annualised benefit of restructuring and reorganisation costs of £10m

Brand roll-out



- On track to deliver a total of c.55 new sites and conversions in FY 2012



Brand roll-out returns

Overall EBITDA return of 17% on FY11 & FY12 investments

	Number opened in H1 2012	Achieved EBITDA ROI%*
Freehold acquisitions	8	14%
Package lease acquisitions	9	14%
Single site lease acquisitions	18	26%
Conversions	7	15%

- Brand roll-out focused on new openings going forward
- Principal new site expansions:
 - Harvester, Miller & Carter, Browns, Toby Carvery

* EBITDA ROI is on FY11 and FY12 openings

Group cash flow



	H1 2012 £m	H1 2011 £m
EBITDA	198	199
Working capital / non cash items	8	(28)
Maintenance capex	(48)	(46)
Trading Cash Flow	158	125
Net interest paid	(63)	(69)
Tax	(10)	(8)
Deficit pension contributions	(20)	(20)
Free Cash Flow	65	28
Expansionary capex	(42)	(53)
Disposals	3	417
Exceptional items	(14)	0
Net Cash Flow	12	392

Group net debt



	Apr 12 £m	Sep 11 £m	Apr 11 £m
Securitisation debt	(2,207)	(2,226)	(2,257)
Cash & other	136	137	152
Securitised net debt	(2,071)	(2,089)	(2,105)
Cash	207	219	185
Group net debt	(1,864)	(1,870)	(1,920)
Net Debt : EBITDA*	4.6x	4.7x	4.9x

* Ratio calculated using previous 12 months' EBITDA for the Retained Estate

Outlook



- Consumer environment remains challenging
- Cost inflationary pressures expected to ease marginally in H2
- On track to open c. 55 new sites and conversions in FY12
- FY12 is a 53 week accounting year
 - Additional week trading profit
 - Cashflow timing impact

Key messages



- Resilient financial performance in challenging conditions
 - LFL +2.7%
 - EPS pre-exceptionals +10.6%
- Operating margin 0.7 ppts lower due to cost pressures
- Business transformation programme underway and on track
- Continue with disciplined brand rollout, focused on new site acquisitions
- Dividend remains under review



Bob Ivell

Executive Chairman

Agenda



- Board recruitment
 - CEO
 - Non-executive directors
- Business change agenda
 - Organisational change
 - Business development
- Brand development

Organisational change



Organisation
structure redesign

Ways of working:
WOW trials

Culture change
& communication

Benefits
tracking

Implement new
organisation
structure
that is fit for purpose
to deliver long
term business
strategy

Define and
implement new
operations
management
processes and
ways of working
via WOW trials

Define and
commence the
cultural change
journey including
vision and values
and on-going
integrated
communication

Identify and track the
financial and non
financial benefits

An evolutionary transformation - not just a re-organisation

Organisation structure redesign



Design principles

Guest centric

Simple, scalable & cost effective

Agile & responsive

Clear accountabilities

Focus on high performance

Organisation change: Results so far



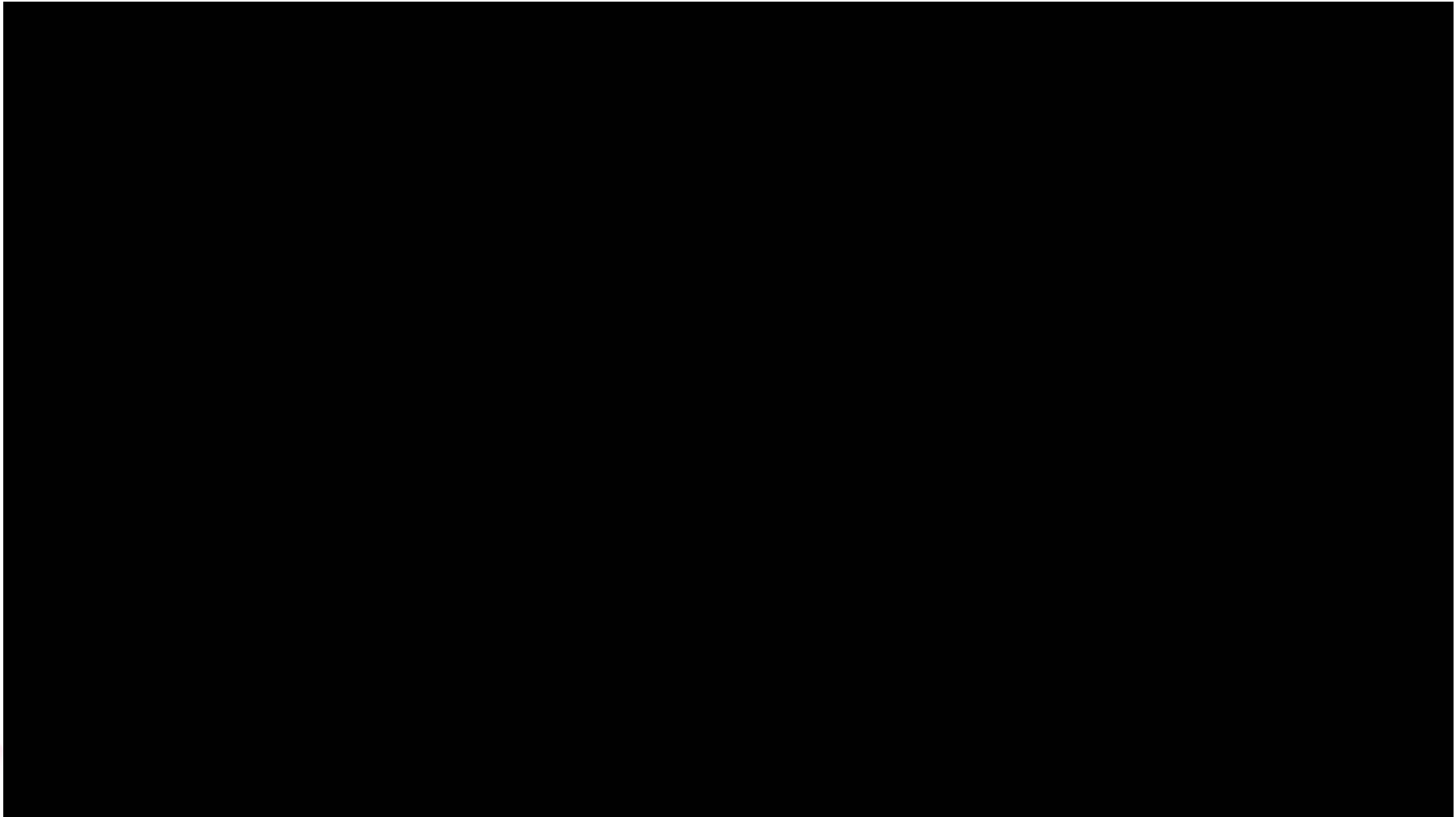
- **Brand Operations Directors** have 'top to bottom' accountability for their brands
 - Marketing and HR alignment to brands
 - Functional teams now focused on guests
- **Localised activity** to deliver improved customer experience
 - Investment in guest service training, kitchen skills, talent development
- **Centralised support** to benefit from scale efficiencies
 - 'Air Traffic Control' centre set up to facilitate operational planning
 - Rationalise, reduce and coordinate information flow to sites
 - Flawless execution of operational initiatives
 - Enable medium and long term planning
 - Marketing services team, CRM support, centralised recruitment

Ways of working (WOW) pub trials: Objectives



- Make our teams guest-focused with supporting controls
- Engage and listen to feedback from guests and team
- Empowered general managers and management teams to take accountability for performance
- Driving like-for-like sales growth

Ways of working (WOW) pub trials: Video



Ways of working (WOW) pub trials: Initial results



	Performance against control group
Our People	
Team motivation	+20%
Our Guests	
Overall guest satisfaction	+2.6%
Likely to revisit	+3.7%
Our Profits	
LFL sales growth	+0.5%
LFL profit growth	+4.0%

Refine & roll out over the next 12 months

Business development: Upgraded IT infrastructure

- Network upgrade
 - Outlet capacity increased 50 times
 - Corporate capacity increased tenfold
 - Free wi-fi roll out
 - Enabler for future developments
 - Hand-held terminals, NFC payment technology
 - Customer loyalty and retention schemes
- Cloud-based data centre
 - Cost reduction & flexibility for growth
- Menu implementation: 6 months process reduced to 4 weeks



Business development: Digital marketing platform



	FY 2009	FY 2010	FY 2011	H1 2012
Facebook fans	28k	266k	480k	627k
Mobile subscribers	77k	530k	834k	960k
Online bookings	-	30k	694k	655k

- 100% growth in mobile website visits
- Email sign-up increased 47%
- Target of 1.5m online bookings this FY



Business development: Other innovation



- Industry-leading innovative approach to energy saving:
 - Char-grills and cellar heat recovery provides free hot water
 - Ambient air cellar cooling
 - LED lighting
 - Glycol timers
- Carbon trust recertification 2012
- Overall energy saving projects delivered ROI of 55%



Ongoing brand development – Harvester



200th Harvester: Peterborough



National TV advertising



Ongoing brand development – Browns



Bluewater: £54k AWT



Birmingham: £35k AWT



Newcastle: £60k AWT

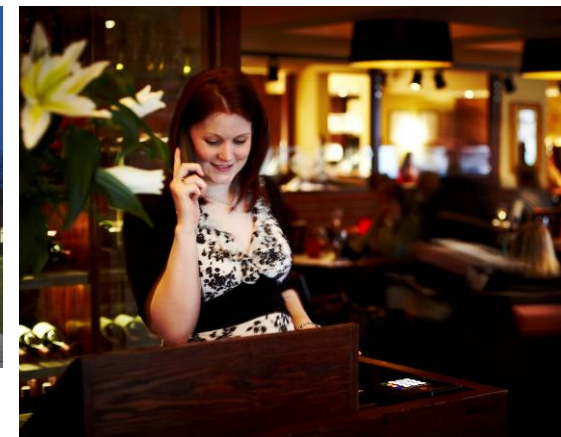
Ongoing brand development – Miller & Carter



Epping: £48k AWT



Hockley Heath: £29k AWT





Progress so far

- £10m of annualised savings
- 90 headcount reduction
- Guest-centric structures
- Re-investment into service to deliver top line growth
- WOW trials – initial positive results
- Robust and flexible IT infrastructure
- Wi-fi roll out
- Innovation in digital media & energy usage
- Ongoing brand development

Conclusion



- Resilient performance
- Business change programme continues – early stages
- Ongoing brand innovation
- Disciplined brand rollout
- Well positioned for future growth



From the 1912 Mitchells & Butlers manager's handbook:

“...we feel how absurd it would be to subject managers to hard-and-fast rules for all circumstances; rules which might fail, and more than likely would fail, just at the most awkward moment. We prefer to leave it to our managers, who are on the spot, and who are selected for their appointments as much for their general intelligence and tact as for their honesty and previous good character – to make a special study of the nature of the trade done at their houses and of the particular tastes and habits of their customers; and we expect them to deal with these matters in a tactful and businesslike manner. We are always glad to assist managers by our advice in the conduct of their houses, and pleased to be consulted by them.”



Q&A

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