



**GUESTS
LOVE TO EAT
AND DRINK
WITH
US**

Half Year Results

Bob Ivell
Chairman

23 May 2013



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Financial Review

Tim Jones

Finance Director

Half Year Results 2013

23 May 2013



Income statement

(pre exceptional items and other adjustments)

28 weeks to 13 April	H1 2013 £m	H1 2012 £m	
Revenue	991	969	+ 2.3%
Operating costs	(846)	(831)	+1.8%
Operating profit	145	138	+ 5.1%
Interest	(70)	(70)	-
Profit before tax	75	68	+ 10.3%
Earnings per share	14.6p	12.5p	+ 16.8%
<i>Operating margin</i>	<i>14.6%</i>	<i>14.2%</i>	<i>0.4 ppts</i>

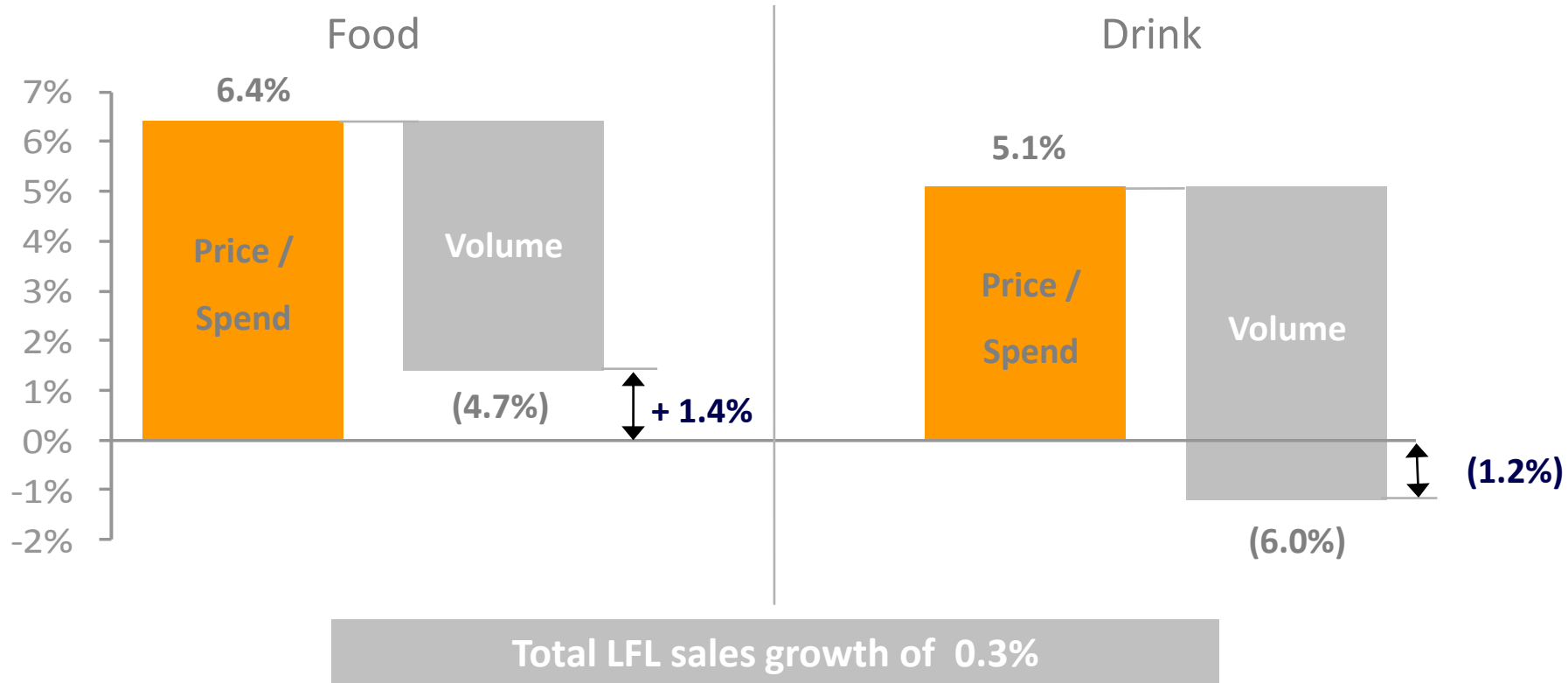


Like-for-like sales growth

	Week 1-17	Week 18-28	Week 1-28
Food	0.5%	2.9%	1.4%
Drink	(1.3%)	(1.0%)	(1.2%)
Total	(0.3%)	1.1%	0.3%

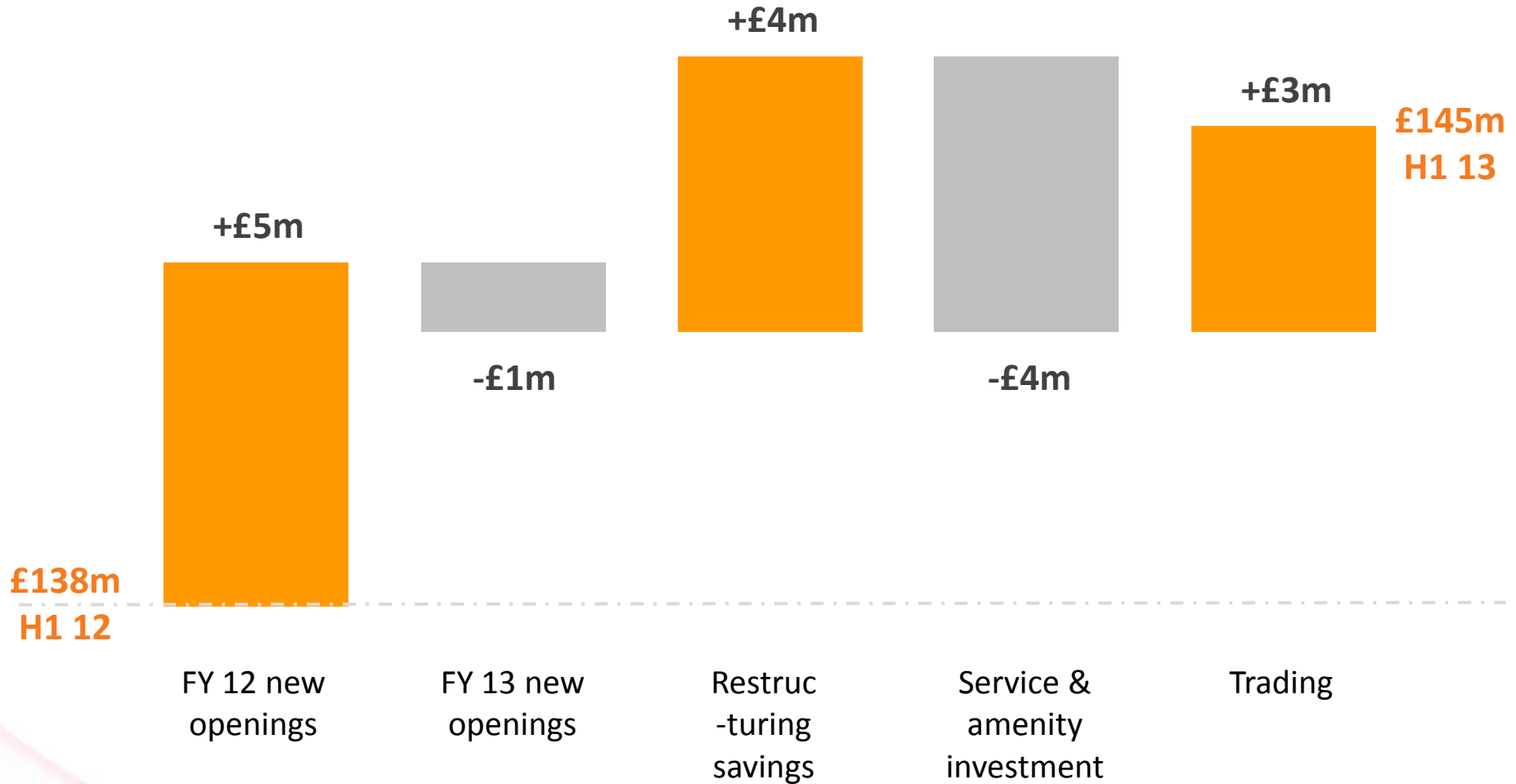
- Volatility driven partly by weather impact
- 1% LFL growth in most recent 5 weeks
- Underlying growth continues at c 1% over extended periods
- Strong performance on special occasions

Drivers of LFL food and drink sales



- Food same item price rises in line with inflation
- Volume declines concentrated in value brands

EBIT movement



Group cash flow



	H1 2013 £m	H1 2012 £m	FY 2012 £m
EBITDA	205	198	415
Working capital / non cash items	21	8	(28)
Deficit pension contributions	(20)	(20)	(40)
Cash flow from operations	206	186	347
Maintenance & infrastructure capex	(48)	(48)	(92)
Net interest paid	(63)	(63)	(129)
Tax	(13)	(10)	(25)
Free cash flow	82	65	101
Expansionary capex	(11)	(42)	(55)
Disposals	-	3	3
Cash exceptional items	(1)	(14)	(17)
Net cash flow	70	12	32
Mandatory bond amortisation	(27)	(25)	(52)
Net cash flow after bond amortisation	43	(13)	(20)

Group net debt



	April 13 £m	Sep 12 £m	April 12 £m
Securitisation debt	(2,156)	(2,177)	(2,207)
Cash & other	132	135	136
Securitised net debt	(2,024)	(2,042)	(2,071)
Cash	247	201	207
Group net debt	(1,777)	(1,841)	(1,864)
Net Debt : EBITDA*	4.3x	4.5x	4.6x

Note: Multiple calculated using previous 12 months' EBITDA

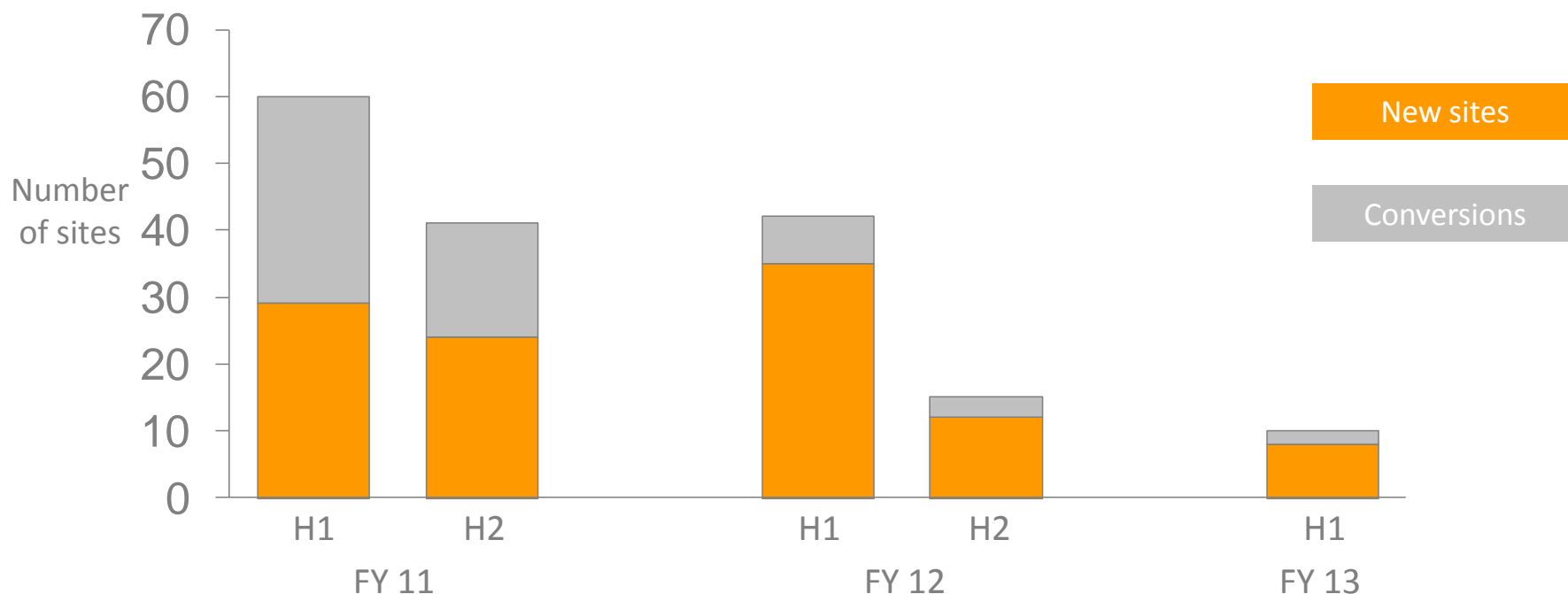


Capital expenditure

- Total estate capex of £59m (H1 2012: £90m)
 - Maintenance and infrastructure maintained at £48m
 - Expansionary capex reduced to £11m (H1 2012: £42m)
 - Reduction to focus on returns & review of market dynamics
- Full year capex likely to be £120m-£125m (FY 2012: £147m)
- FY 2014 spend expected to increase
 - Increased expansionary capex towards trend level of £50m to £80m pa
 - Investment in POS infrastructure (estimated £30m over two years)

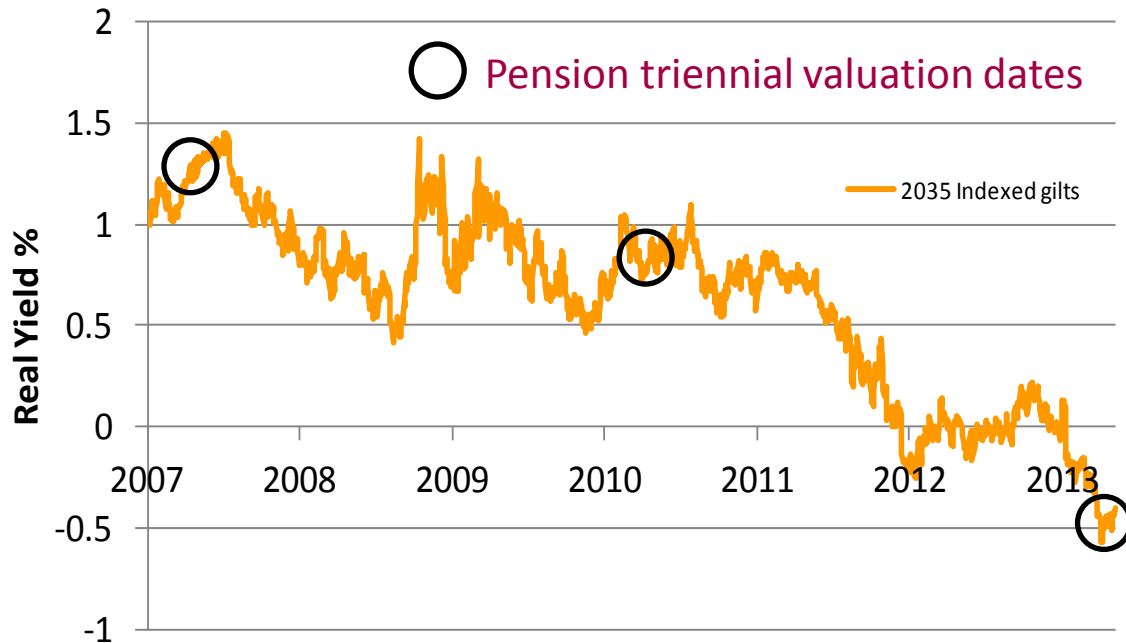


Expansionary capex returns



	H1 13 Capex	H1 13 No of sites	FY11-13 EBITDA ROI
Freehold Acquisitions	£5.6m	3	13%
Leasehold Acquisitions	£4.6m	5	19%
Conversions	£0.6m	2	16%
Total	£10.8m	10	17%

Pensions



- £400m deficit as at 31 March 2010
- Position and negotiations exacerbated by further Q1 2013 fall in gilt yields
- 10bp reduction in discount rate increases balance sheet deficit by £36m (IAS19)
- Regulatory timetable to reach agreement by June 2014



First half results – key messages

- Strong profit growth:
 - EBIT up 5%, EPS up 17%
 - Margins up 40 bps to 14.6%
- Reduced expansionary capital expenditure of c £30m this year, increasing to £50m-£80m in medium term
- Expansionary capital returns stable at 17%
- Funding negotiations with pension trustee at early stage
- Outlook:
 - Consumer demand likely to remain subdued albeit with significant regional and economic variations
 - Opportunities to grow based on focused brand positioning and business transformation



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Business Review

Alistair Darby
Chief Executive

Half Year Results 2013
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A strong and resilient business

	Mitchells & Butlers
Average weekly take	£22.8k
Food sales mix	51%
Number of managed houses	1,582

- Strategy:
 - Focus on the growth in the eating out market
 - Expand national brands that guests love
 - Generate high returns on investment through scale advantage
 - Develop exceptional people to run our operations safely and professionally
 - Maintain a sound financial base

Long term strategy remains suitable and successful

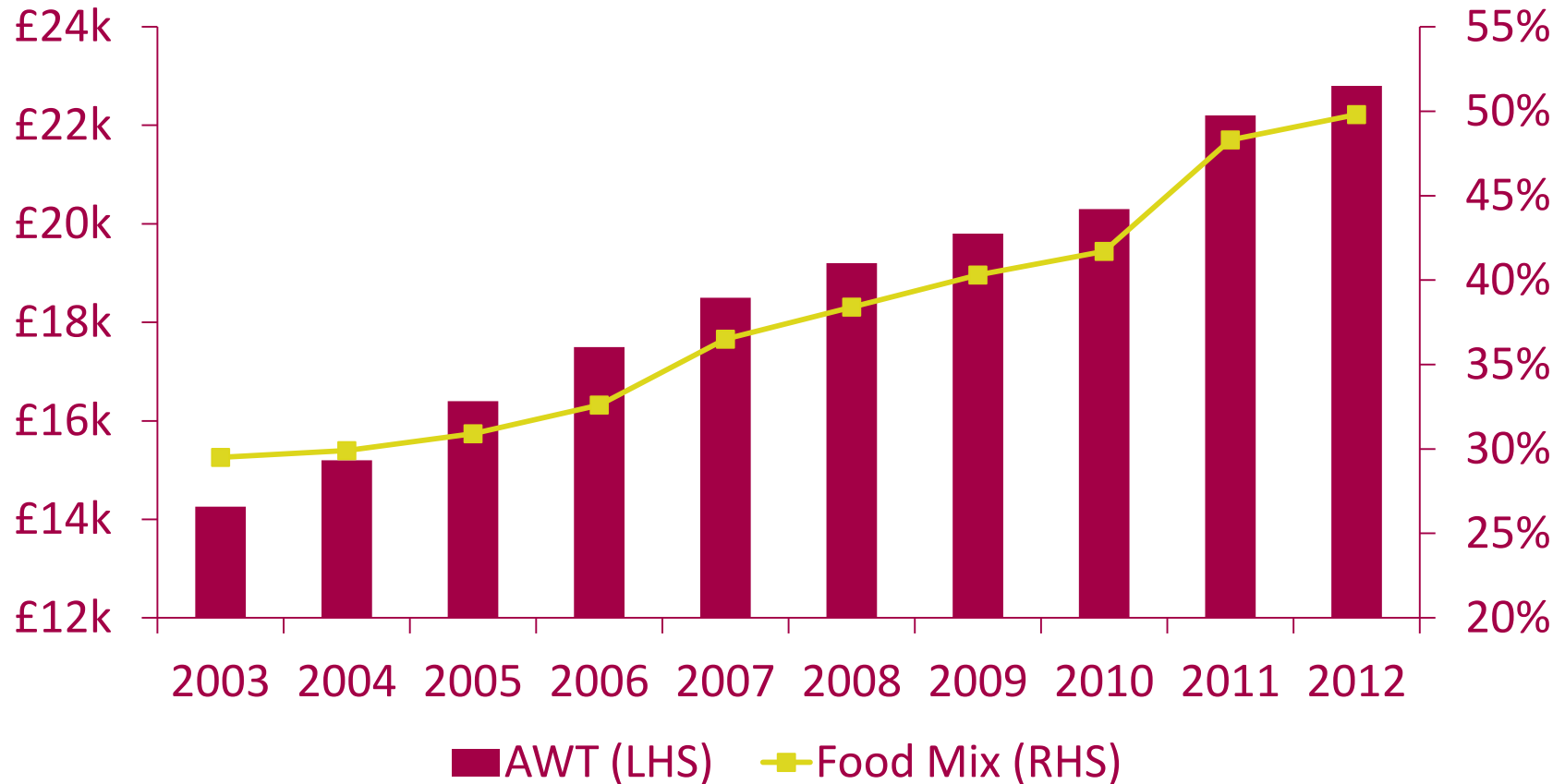
Note: Average weekly take excluding VAT in the rolling 52 weeks to the half year end date

Food sales mix in the first half

Number of managed houses as at the half year end



Long term sales trends



Consistent food focus and growth in sales

The value creation journey

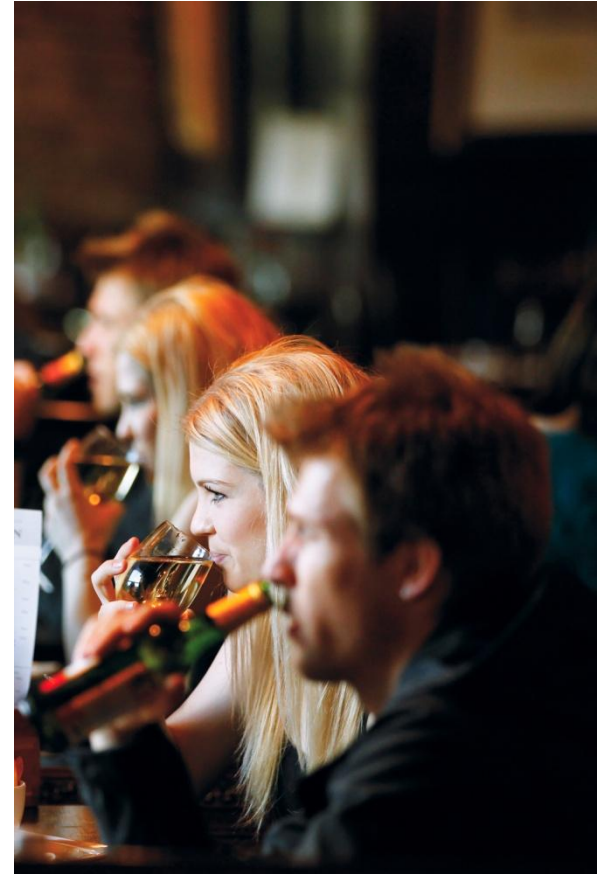


- 1 Right size (done in FY 12)
- 2 Balanced transformation (in progress)
- 3 Acceleration (ahead)

Transformation whilst safeguarding profit growth

The market

- £75bn eating and drinking out market
- From sandwiches to fine dining
- Majority unbranded
- Branded space growing fastest



MAB is <3% of a large & fragmented market

Market insight



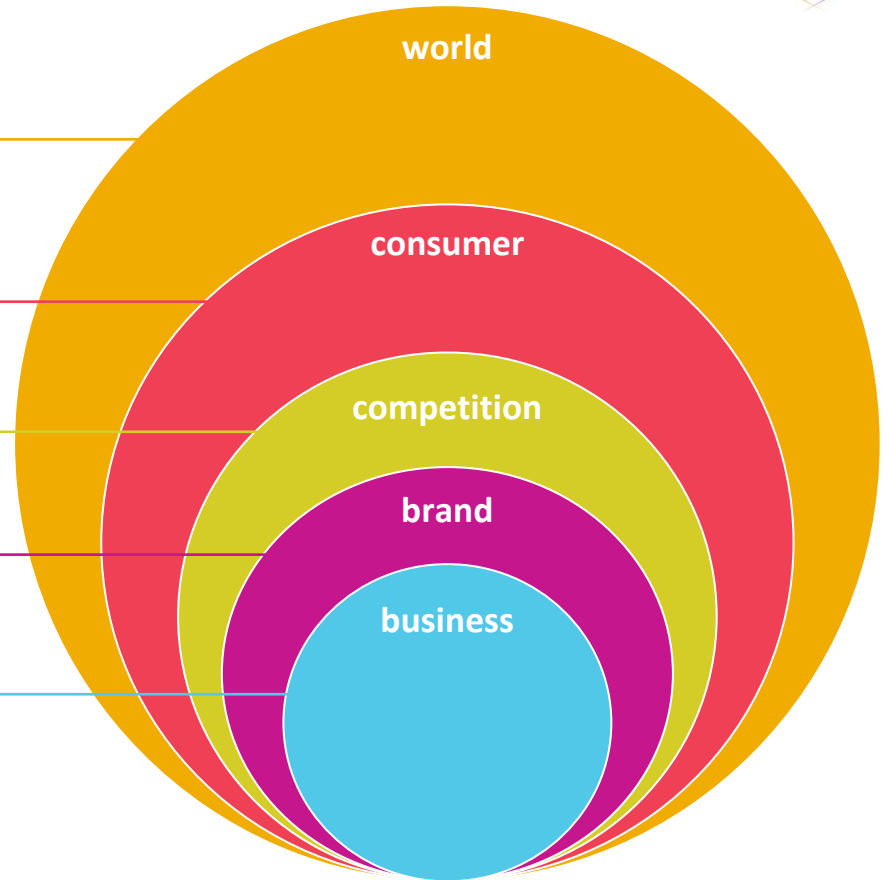
External factors shaping future demand
Macroeconomic review & industry commentators

The consumer opportunity –attitudes, needs, behaviours
8,000 consumer interviews about 14,000 occasions

The competitive context
Brand positioning review - external

MAB brands – strengths and weaknesses today
Brand positioning review - internal

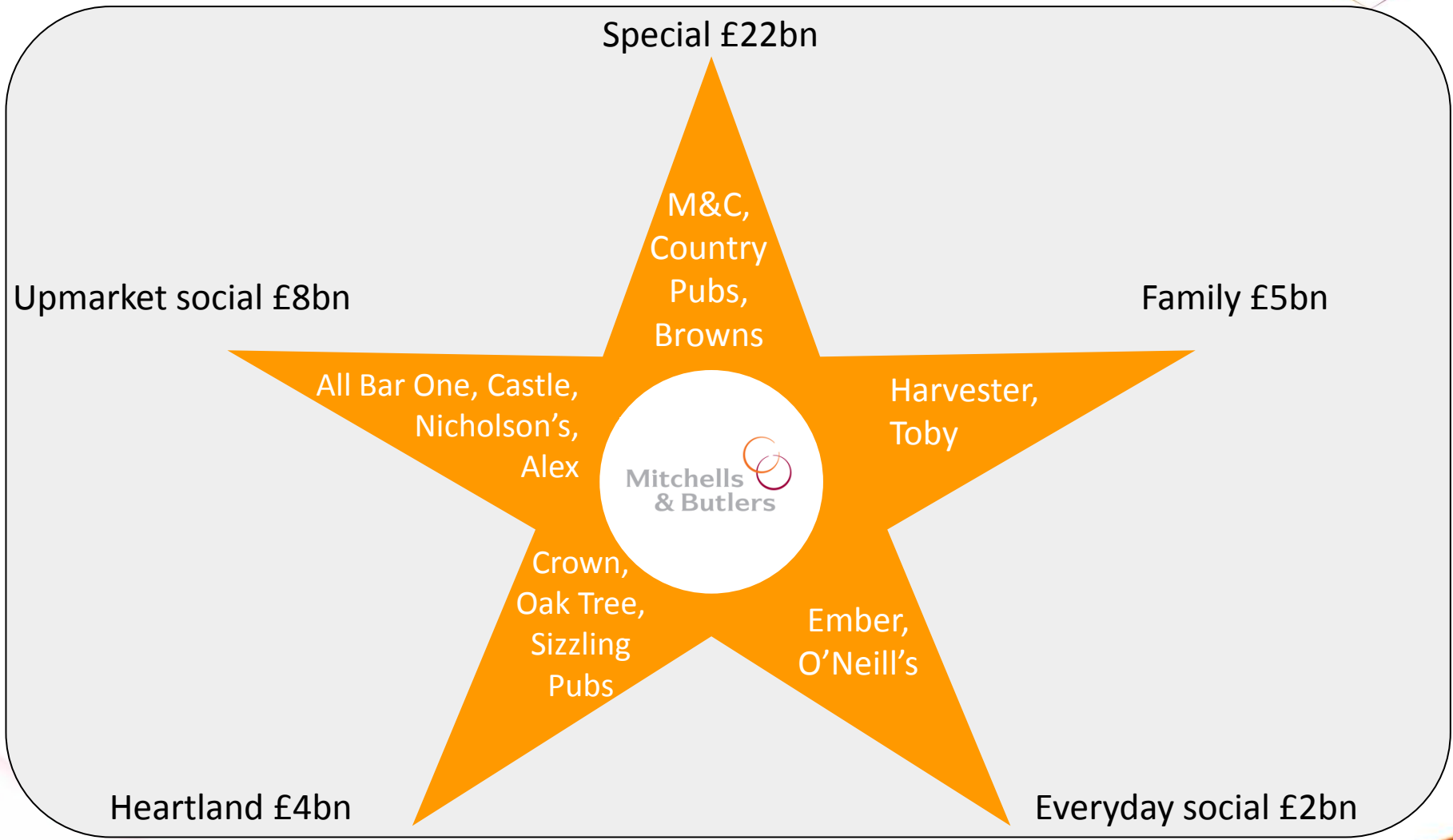
The business models and profitability
Commercial evaluation



Leading to a clearly defined approach to the market



A five star approach to attractive markets



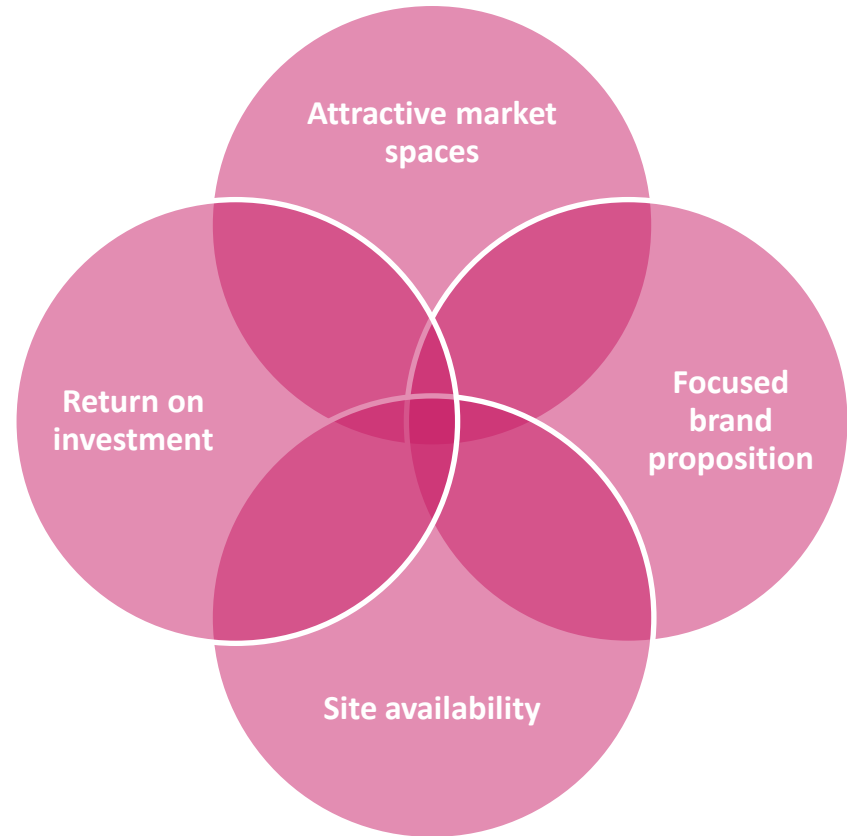
Focus on substantial market spaces worth £41bn

Source: Internal research

Note: Country Pubs are Vintage Inns, Village Pub & Kitchen, Premium Country Dining Group

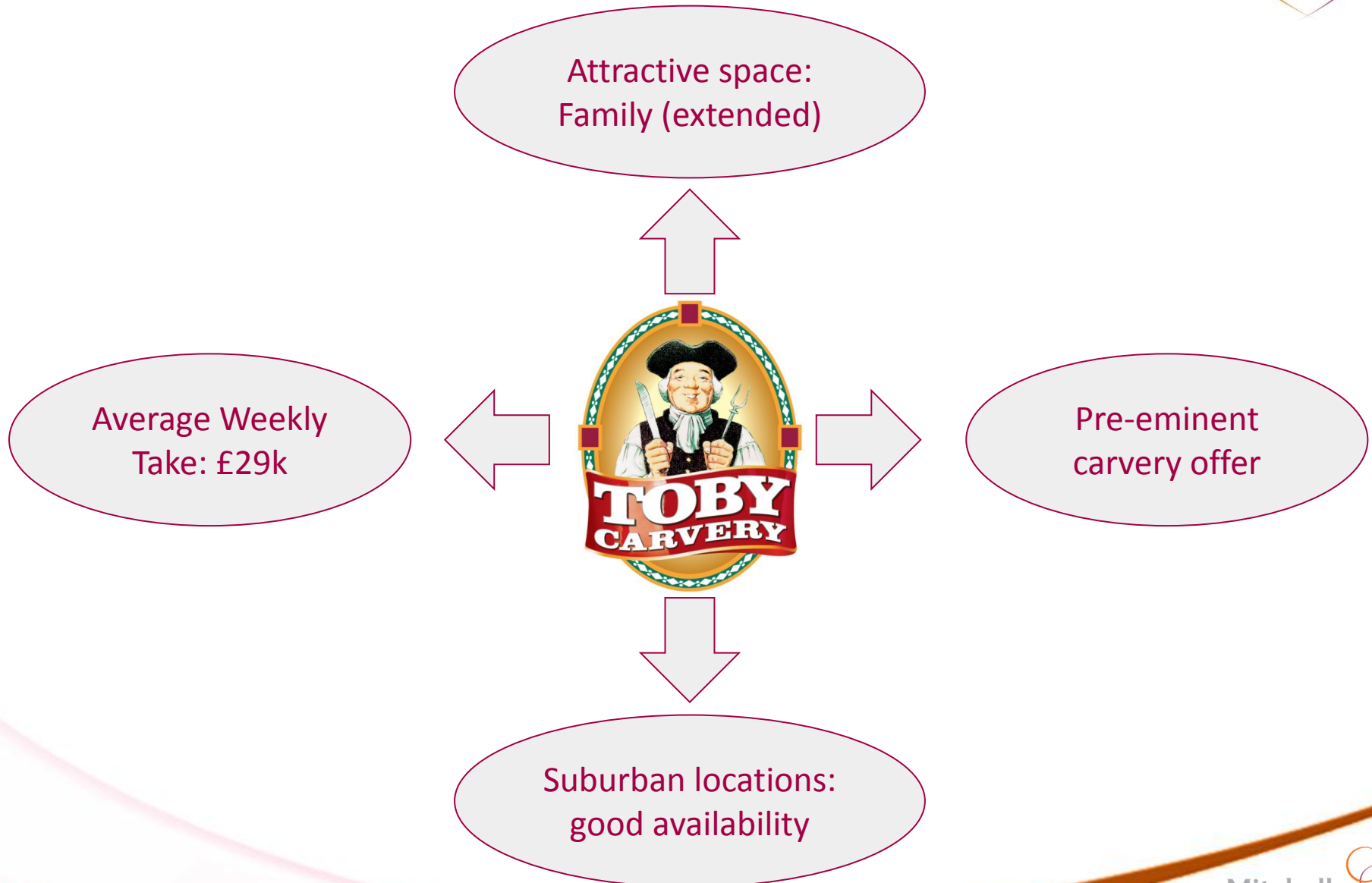
Brand expansion strategy

- Most attractive spaces
 - Special
 - Upmarket social
 - Family
- Superior guest offers
- Good ROIs
- Clear pipeline for growth

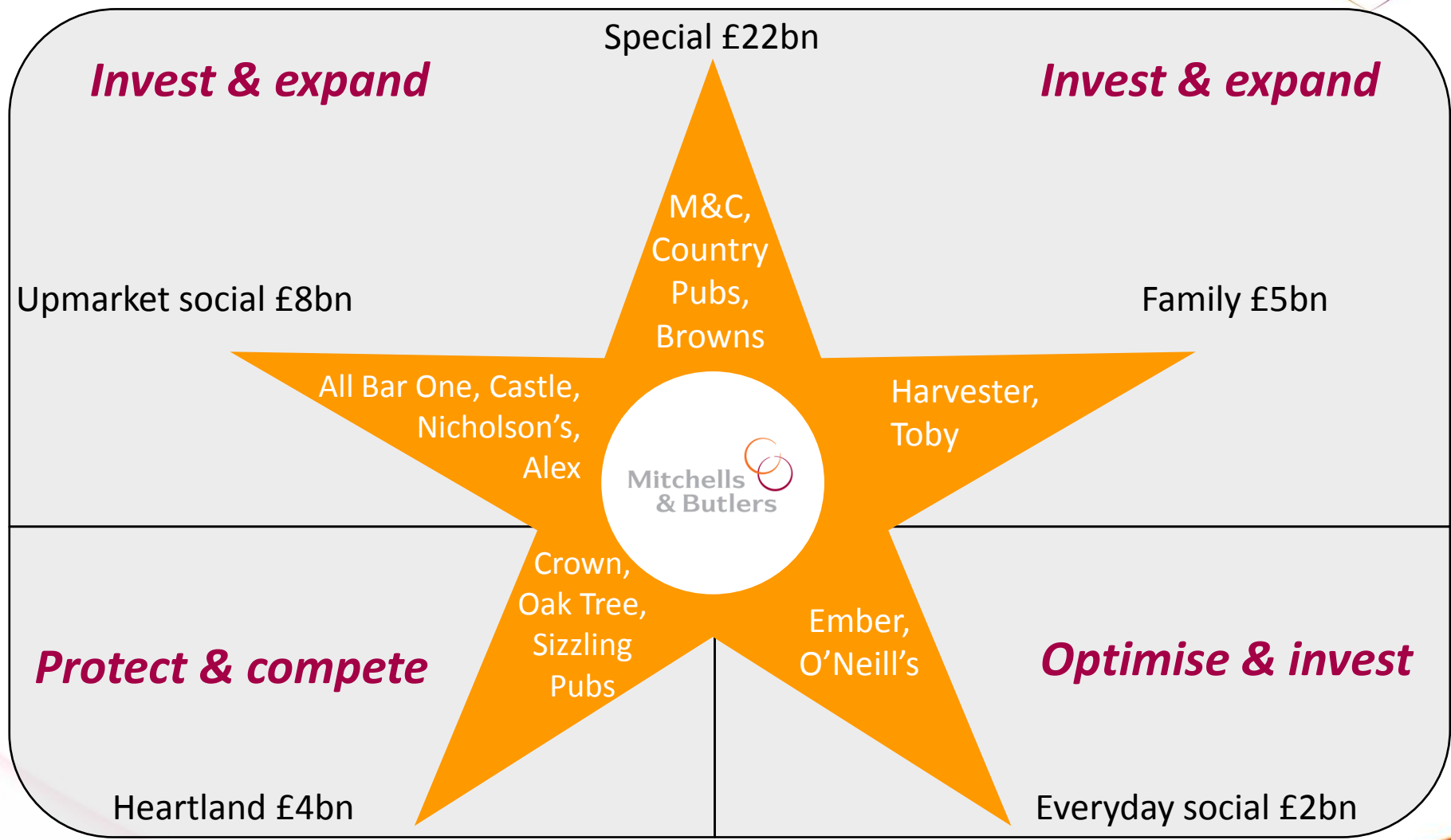


Expansion dependent on all criteria

Example: Toby Carvery



Different strategies for different markets



Source: Internal research

Note: Country Pubs are Vintage Inns, Village Pub & Kitchen, Premium Country Dining Group

Different strategies for different markets



	Brand/format optimisation	Like-for- like sales	Capital deployment	Cash generation
Invest & expand	Largely brand	✓ ✓	✓ ✓	✓
Optimise & invest	Largely format	✓	✓	✓
Protect & compete	Format	-	-	✓ ✓

Growth through market-specific strategies

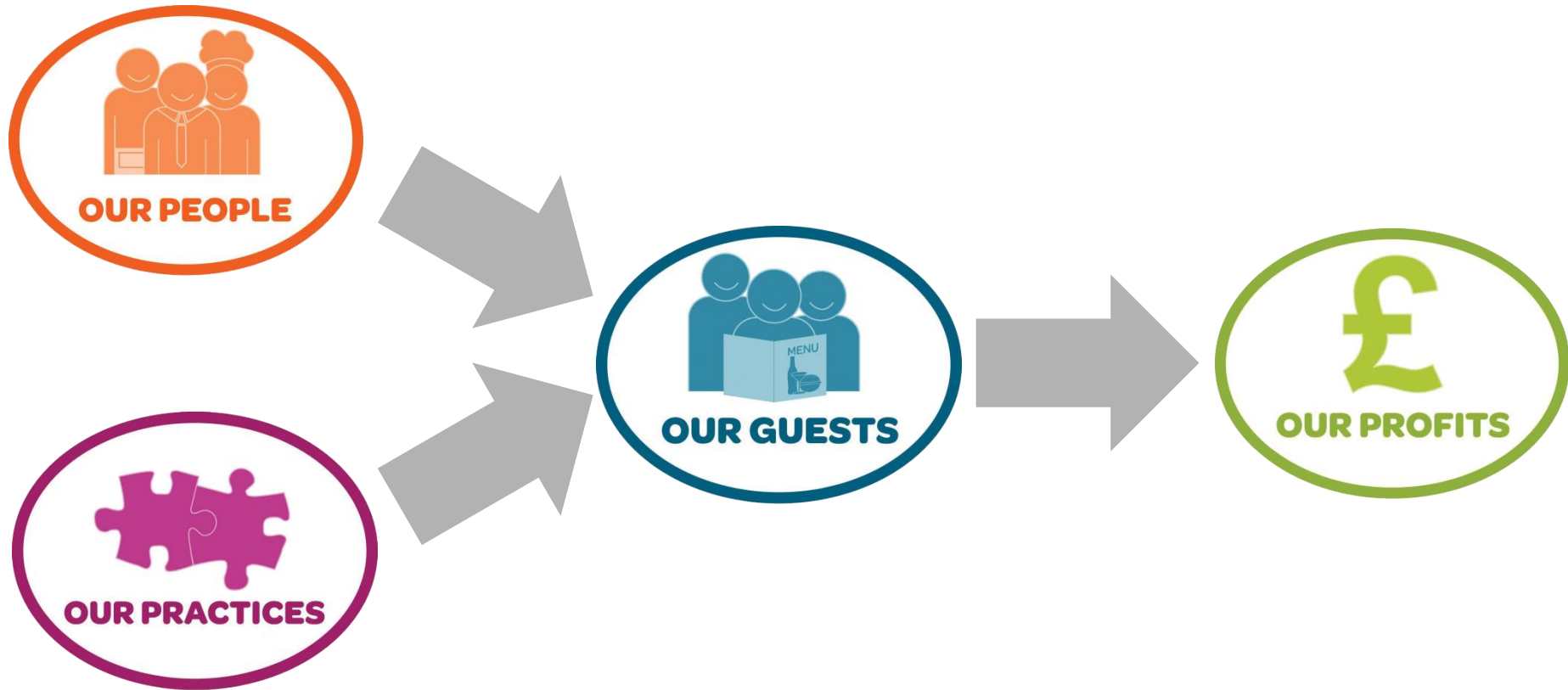


What creates value at MAB

- Exceptional people...
- Outstanding operators of scale brands and formats...
- Which guests love...
- Leading to market leadership and profit growth

Profit through people, guests and operational practices

Four priorities



Consistent priorities to drive profits and returns

Our people



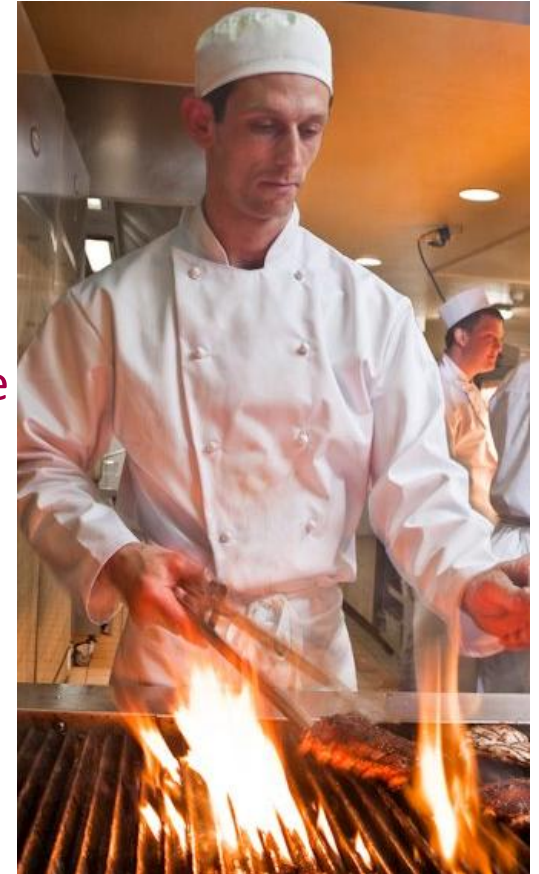
- Ways of Working
 - Good to Great
- Shift of focus to front line
- Redesigned training schemes
 - Guest service
 - Food capability
- New talent development framework
- 1,500 apprenticeships



Increase engagement and retention

Our practices

- Safe
 - 'Scores on the Doors' – Food Hygiene Ratings
- Efficient
 - Retail technology building on IT infrastructure
 - Labour scheduling improvements
- Cost effective
 - Purchasing
 - Maximise scale efficiency

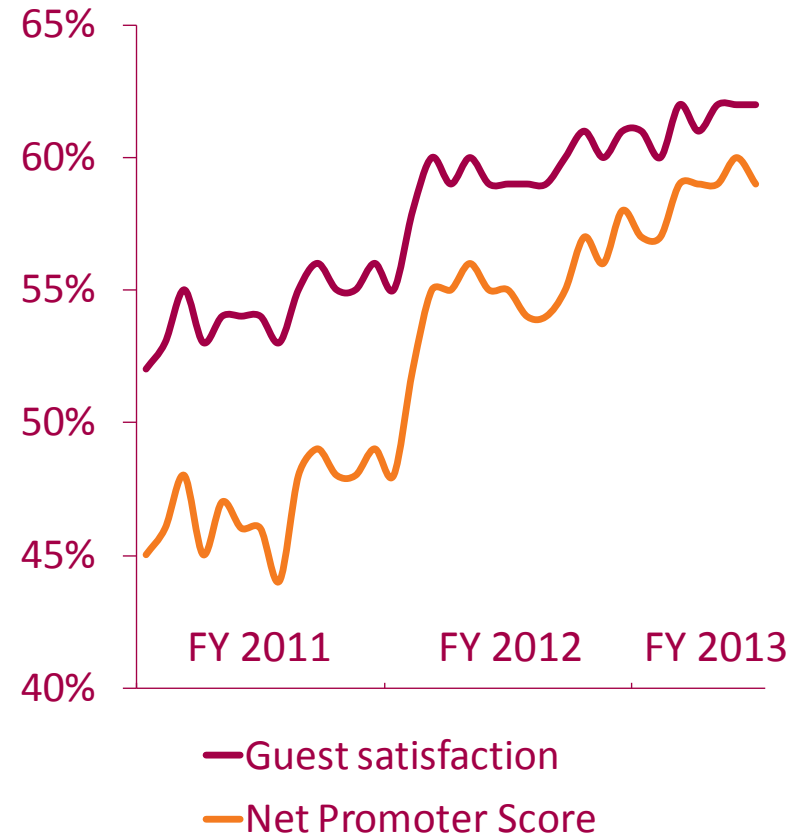


Focus on outstanding operation of restaurants and pubs



Our guests

- Further investment in service
- Net promoter score + 4%
- What matters to guests
 - Trust builders
 - Loyalty builders



Developing superior guest understanding to act on

Note: Guest satisfaction is % of guests that “strongly agree” that they were satisfied with their visit.

Net promoter score is % of guests that are brand ‘promoters’ less % of guests that are brand ‘detractors’.

Our guests: Miller & Carter example

Trust builders



- Make guests feel valued & special
- Stunning steak
- Perfect drinks with added value



Increase revisit %

Loyalty builders



- Deliver meals in timely manner
- Personal acknowledgment
- Payment without delay



**Increase
recommendation %**

Growing net promoter score underpins LFL sales

Our profits



- Restructuring savings delivered in full
- High operating margin, up 40 bps in H1
- Guest satisfaction supports LFLs
- Protect margins & seek to expand



Operational plans will deliver long term value



Conclusion

- Strong foundations
- Business transformation progressing well
- '5 star' approach to attractive market spaces
- Clear operational priorities

Well positioned to deliver sustainable growth



Q&As

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