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Full Year Results 2022

Introduction

- Delivered a robust performance within a challenging trading and macro environment
- Sales recovery continuing with encouraging growth
- Capital and Ignite programmes will deliver continued momentum
- Remain focused on our strategic priorities

Financial Review FY 2022
Tim Jones
Chief Financial Officer

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Income Statement (before adjusted items)

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	FY 2022 £m	FY 2021 £m
Revenue	2,208	1,065
Operating costs	(1,968)	(1,036)
Operating profit	240	29
Interest	(114)	(120)
Pensions finance charge	(2)	(3)
Profit/(loss) before tax	124	(94)
Operating margin	10.9%	2.7%
Earnings/(loss) per share	18.0p	(13.6)p

Like-for-like sales vs. FY19

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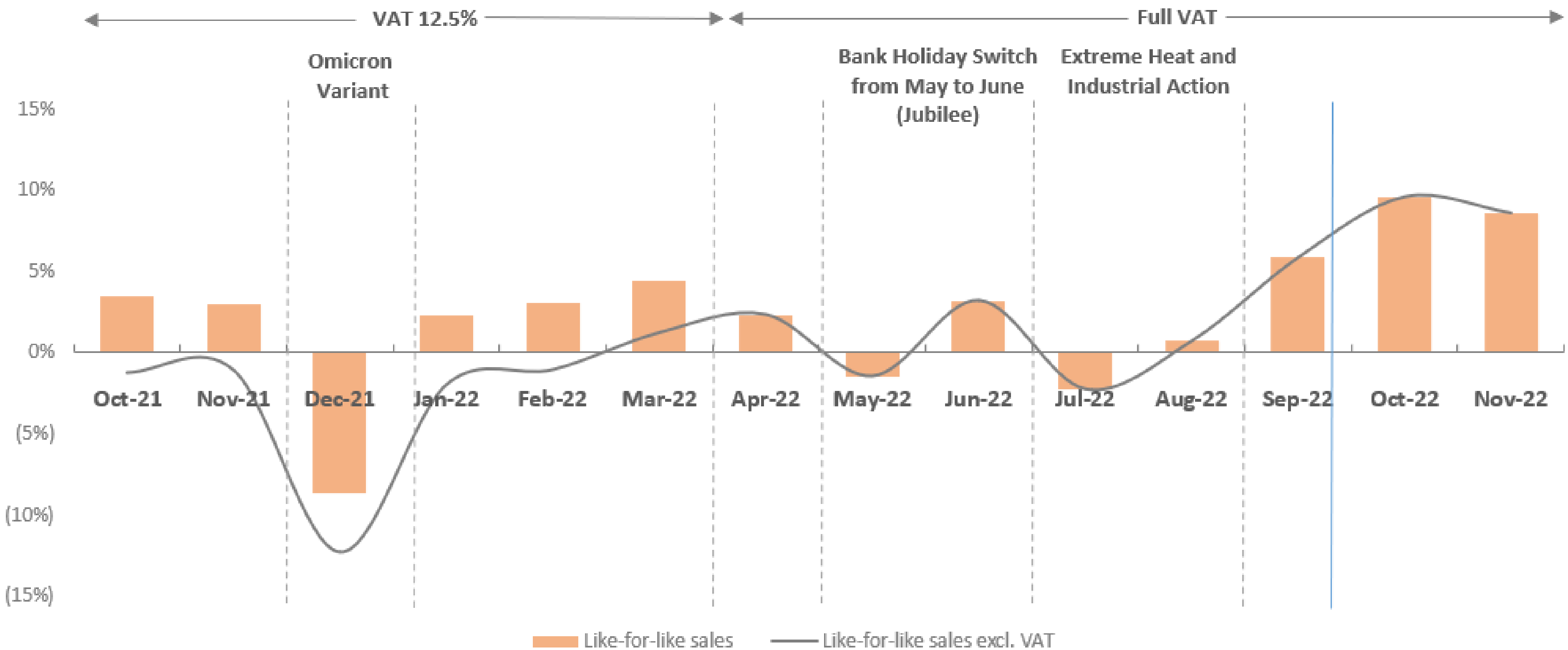

- Food continued to perform better than drink over H2 despite VAT reduction expiring but drink recovering in recent months
- Suburban and rural areas outperformed larger city centres in H1 with city centres recovering over H2
- FY22 sales driven by spend per head growth and VAT outweighing volume decline vs. FY19
- Like-for-like sales growth vs. FY19 for ten weeks since period end of 9.2%

Diverse portfolio of brands and locations

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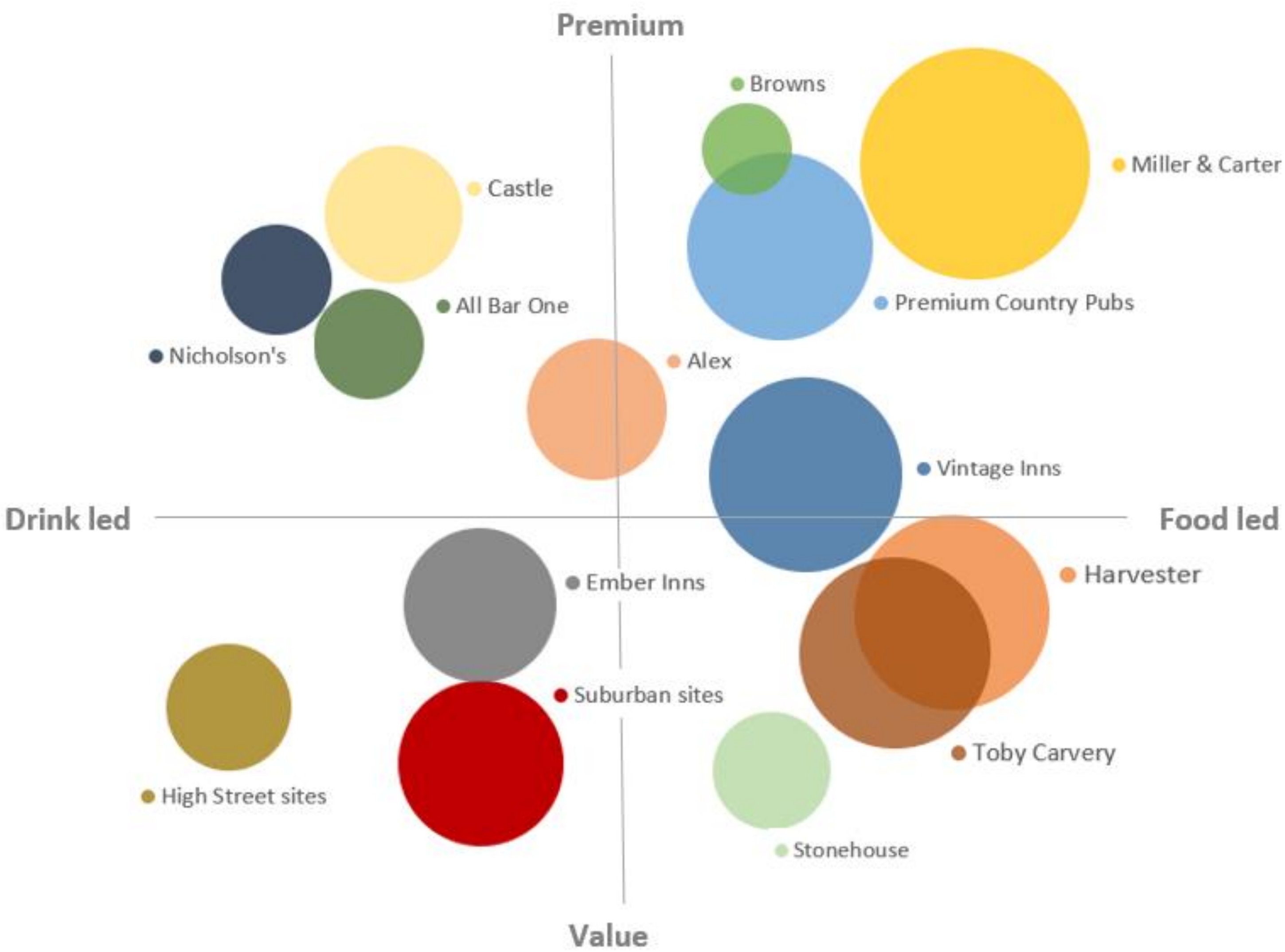
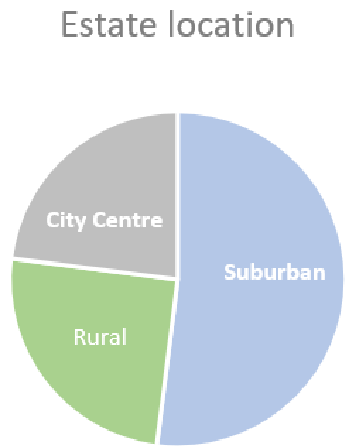
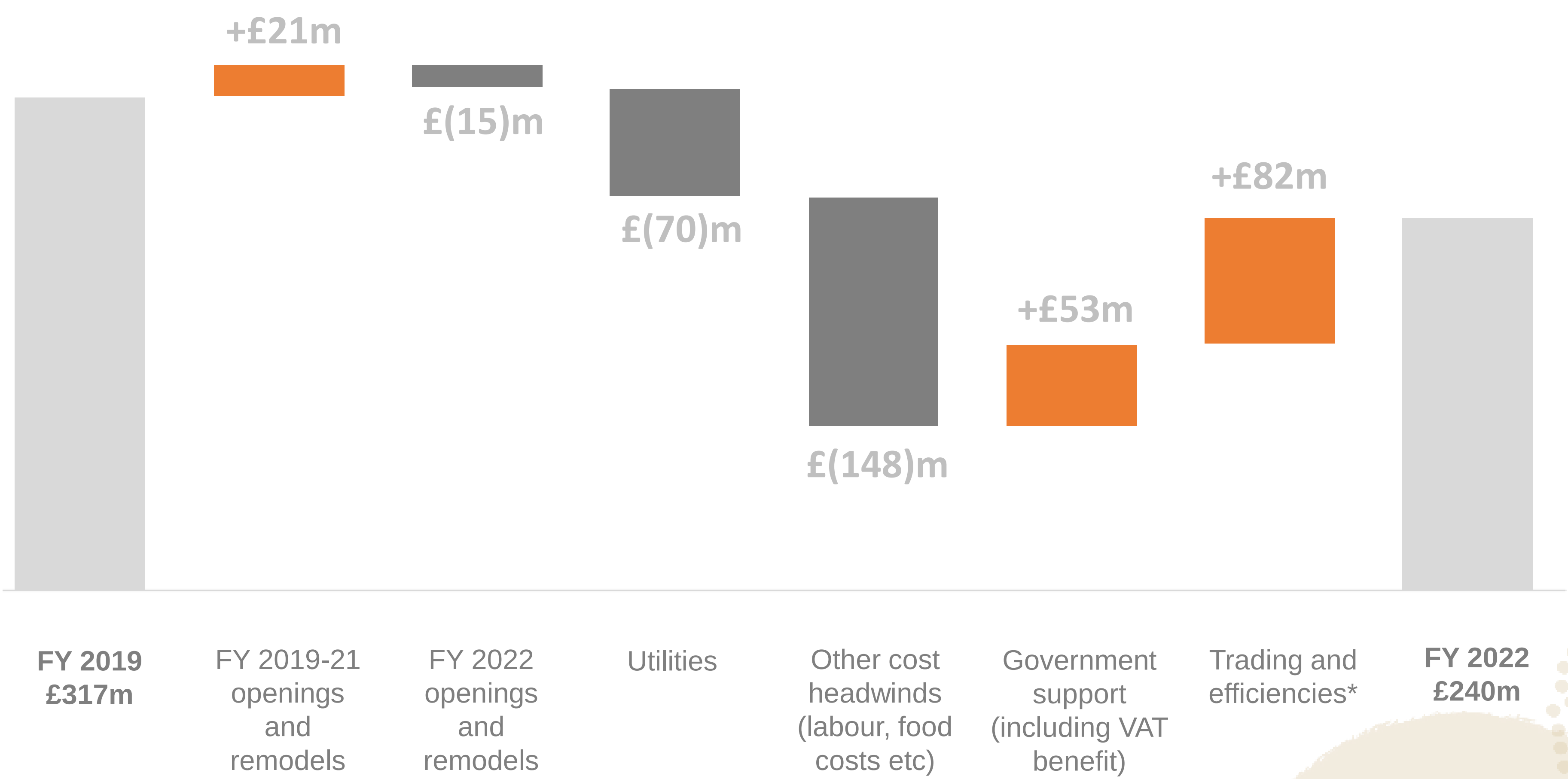




Size of bubble based on brand sales

Adjusted EBIT movement vs. FY19



*Trading and efficiencies net of adverse impact from Omicron

Cost inflation to remain high and uncertain

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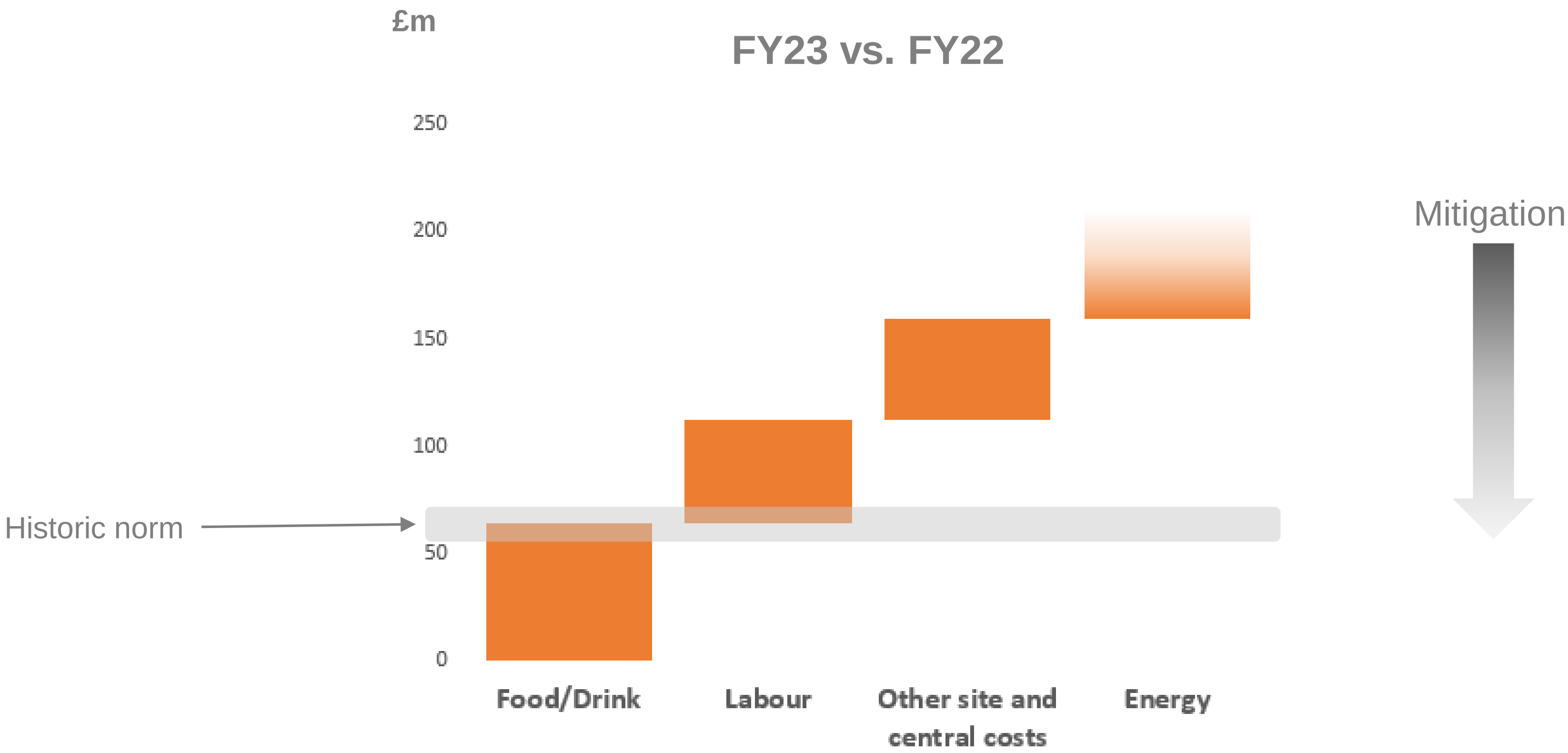

- Anticipated cost headwinds before major mitigation activity on cost base of £1.8bn
- FY23 inflation before mitigation expected to be c.10-12% but energy price volatility could have a material impact, especially in H2
- Longer term expected to normalise at historic levels

Cashflow / debt

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	FY 2022 £m	FY 2021 £m
Operating cash flow	380	195
Working capital movement	19	7
Pension deficit contributions	(44)	(52)
Capital expenditure	(122)	(33)
Lease principal and interest	(61)	(62)
Net interest	(99)	(104)
Tax and other	(1)	1
Issue and purchase of shares	(1)	341
Net repayment of facilities	-	(119)
Net cash flow before bond amortisation	**71**	**174**
Mandatory bond amortisation	(110)	(104)
Net cash flow	**(39)**	**70**

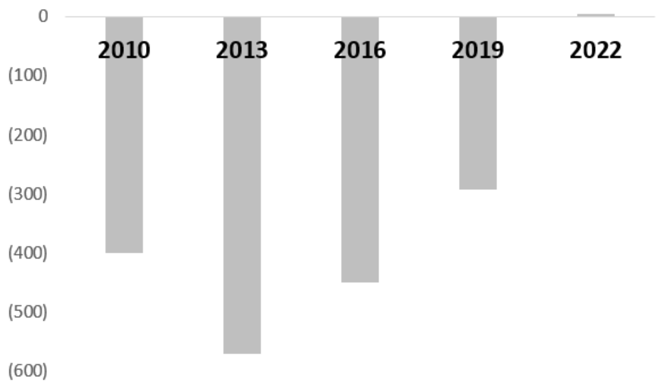
Net debt excluding IFRS 16 lease liabilities	(1,198)	(1,270)
Net assets	2,143	2,104
Net assets per share	£3.61	£3.54

Pensions update

- Triennial valuation as at 31 March 2022
  - Agreement reached in principle, expected to sign shortly
  - Expected to show a significant improvement in funding position (2019: £293m deficit)
  - Ahead of trajectory to full funding

- No impact anticipated from recent LDI volatility

Triennial pension deficits



EXECUTIVE PLAN (c.20% liabilities)

- Risks insured through buy-in at December 2021 with Legal & General
- Contributions of £12m pa to September 2023 to blocked account to avoid trapped surplus

MAIN PLAN (c.80% liabilities)

- Close to fully hedged for interest rate and inflation risk
- Limited exposure to broad markets (e.g. under ~10% direct equity allocation)
- Contributions of £40m pa to September 2023, to blocked account once valuation signed

Summary

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- Sales recovery continuing with encouraging volume growth in first ten weeks of new financial year
- Costs:
  - Inflation above trend especially in food, energy and labour but now across the supply chain
  - Outlook volatile and uncertain
- Well placed to mitigate as many of the costs as we can and to manage continuing uncertainty ahead:
  - Ignite programme of self help
  - Diversified estate
  - Strong brands and offers

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Phil Urban
Chief Executive Officer

Reasons to be positive:
1. FY22 sales build (excluding VAT impact)

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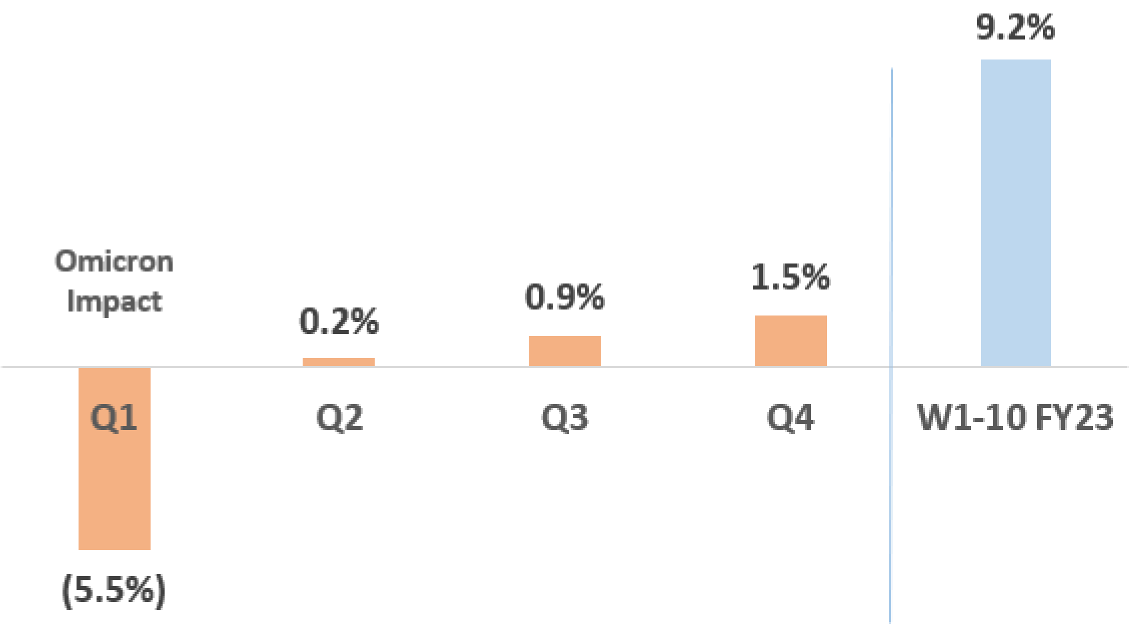
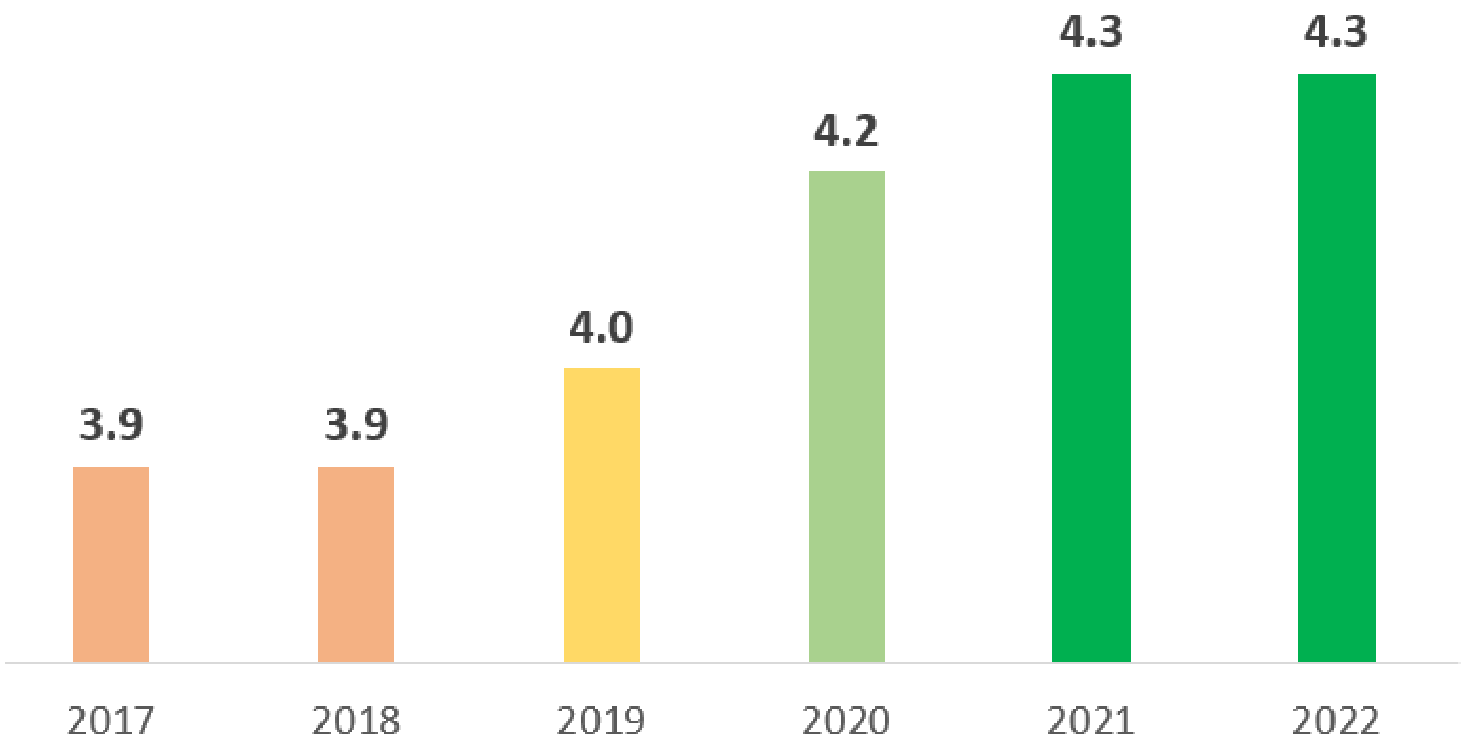


- Gradual like-for-like sales build through all four quarters vs FY 2019, adjusting for the VAT benefit in H1
- Initially the food-led businesses and more suburban locations faired better than wet-led and city businesses, but as the year progressed, the wet-led businesses started to come back strongly
- Evidence that society is learning to live with Covid

Reasons to be positive:
2. Our people

- Staffing issues seen across the country as a direct result of losing people during furlough to other sectors and the absence of the EU talent pool
- Especially acute across back of house roles
- Focus on clear opportunities for career development and progression
- Turnover is reducing and stability increasing
- 75% of our general managers have 5+ years of service
- Retail engagement near to all time record

Reasons to be positive:
3. Guest review score improvement



- Encouraged by consistently strong guest feedback scores
- Clear correlation between guest feedback and like-for-like sales growth

Reasons to be positive:
4. Christmas opportunity

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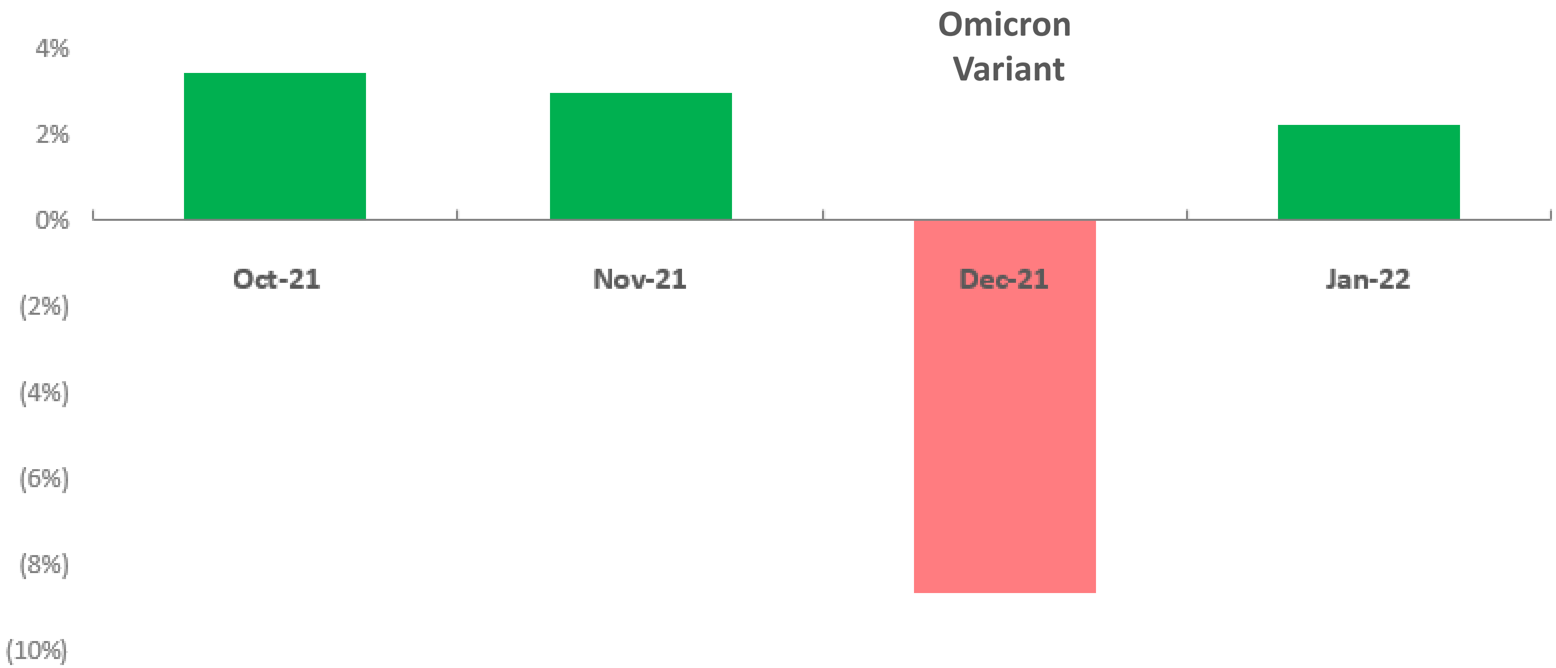
Q1 like-for-like sales vs. FY19



- December FY 2022 was hugely impacted by the emergence of the Omicron variant and ‘stay at home’ messaging
- Festive bookings for FY 2023 are solid and we are looking forward to people celebrating with us

Macro challenges:
Cost headwinds and mitigation

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Cost headwinds	Mitigation
Employment	Ignite
Utilities	Capital programme
Food and Drink	Pricing
	Menu/offer development

- Inflationary cost pressures continue to present a major challenge to the business
- We have a proven track record of mitigation in previous years and we continue to work very hard to mitigate as much of the impact of these cost increases as we can

Macro challenges:
Consumer confidence and supply

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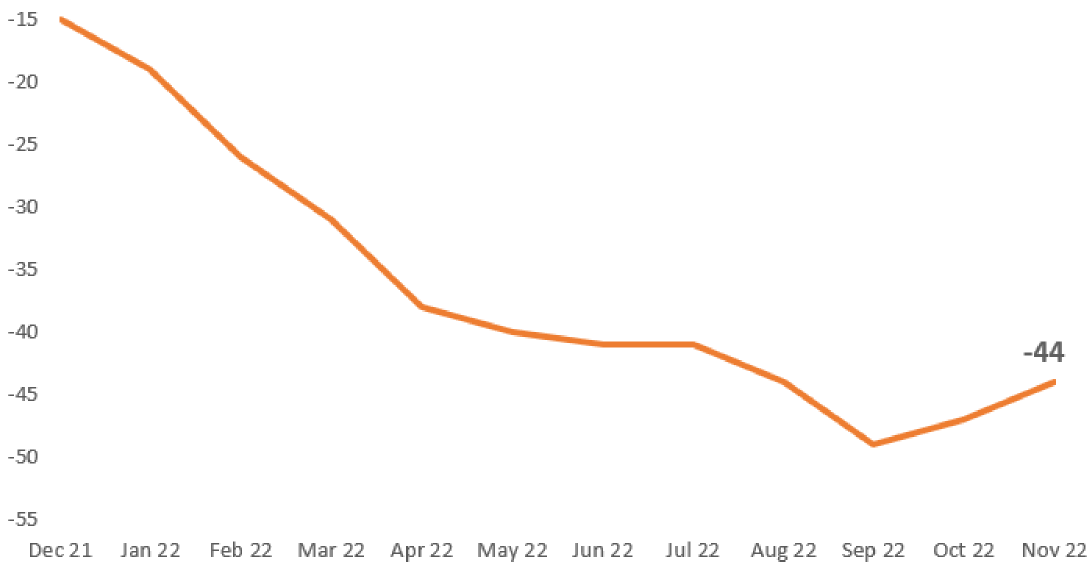
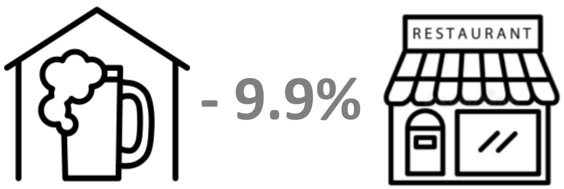
UK consumer confidence Dec 2021 – Nov 2022



GfK Consumer Confidence Index

Pub and restaurant closures since March 2020



- Food-led venues have been hit harder by closures, with the number of outlets reducing by 12.0% since March 2020, with independent and tenanted businesses making up 82% of net closures
- Opportunity to gain market share through superior customer experience

Our 3 strategic priorities

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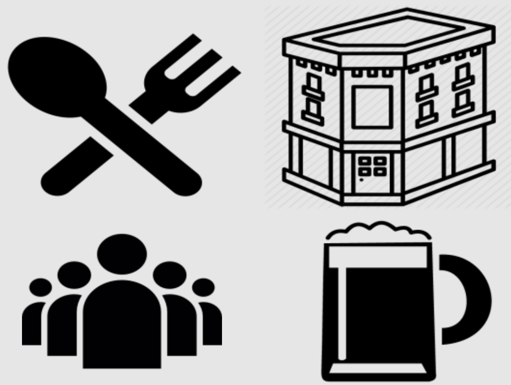

Build a more balanced business

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

Instil a more commercial culture

- Guest Driven decisions
- Profitable sales
- Core operational drivers

Drive an innovation agenda

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

3 levers to deliver these:

1. Strategic decisions e.g. pricing, offer, training etc
2. Capital programme
3. Ignite

1st Lever – Strategic decisions: Pricing and Menu development

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- Menu development has been cognisant of the high food cost inflation
- Most brands have a menu change in the Autumn and again in the Spring
- Taken more price than we have traditionally, moving prices on food and drink by c.5%, although protecting entry level items where we can and introducing more premium items
- Guest reaction has been positive and we have not seen any deterioration in frequency

Impact - FY23 sales growth

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- Like-for-like sales growth vs. FY22 for ten weeks since period end of 6.5%, equating to 11.1% adjusting for year-on-year VAT impact
- Sales growth driven by volume growth across drink and food
- Like-for-like sales increased 9.2% vs. FY19
- Strengthening wet trade in city centres with more people returning to office working and more cautious guests becoming confident enough to venture out again and return to their locals
- Focus on providing value for money experience to build market share

Impact – FY23 trading vs. market

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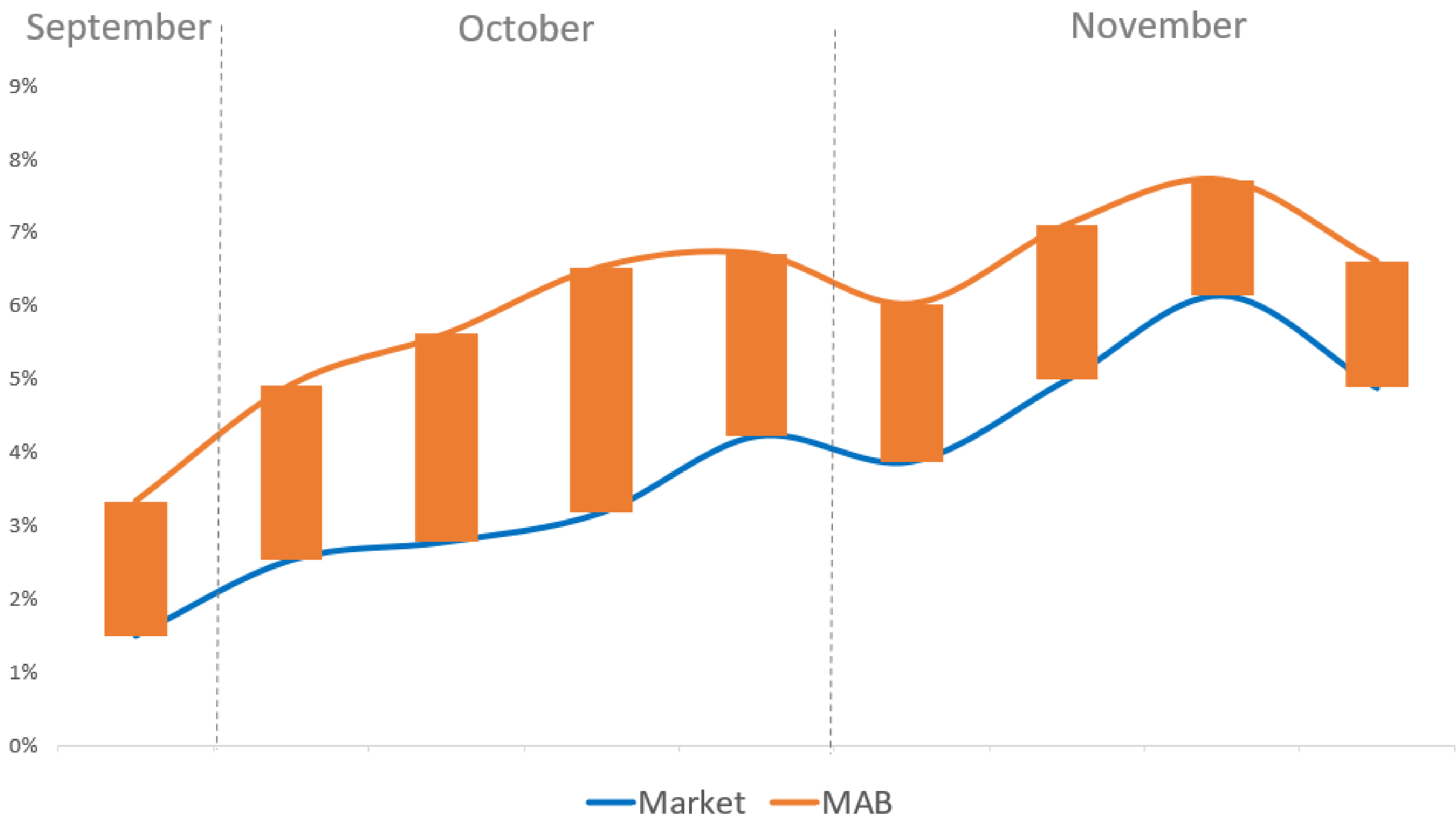

Rolling four-weekly average like-for-like sales vs Coffer Peach Tracker, vs. calendar year 2019

- Tracking ahead of the market on the Coffer Peach Tracker over first weeks of FY23

2nd Lever: Capital programme

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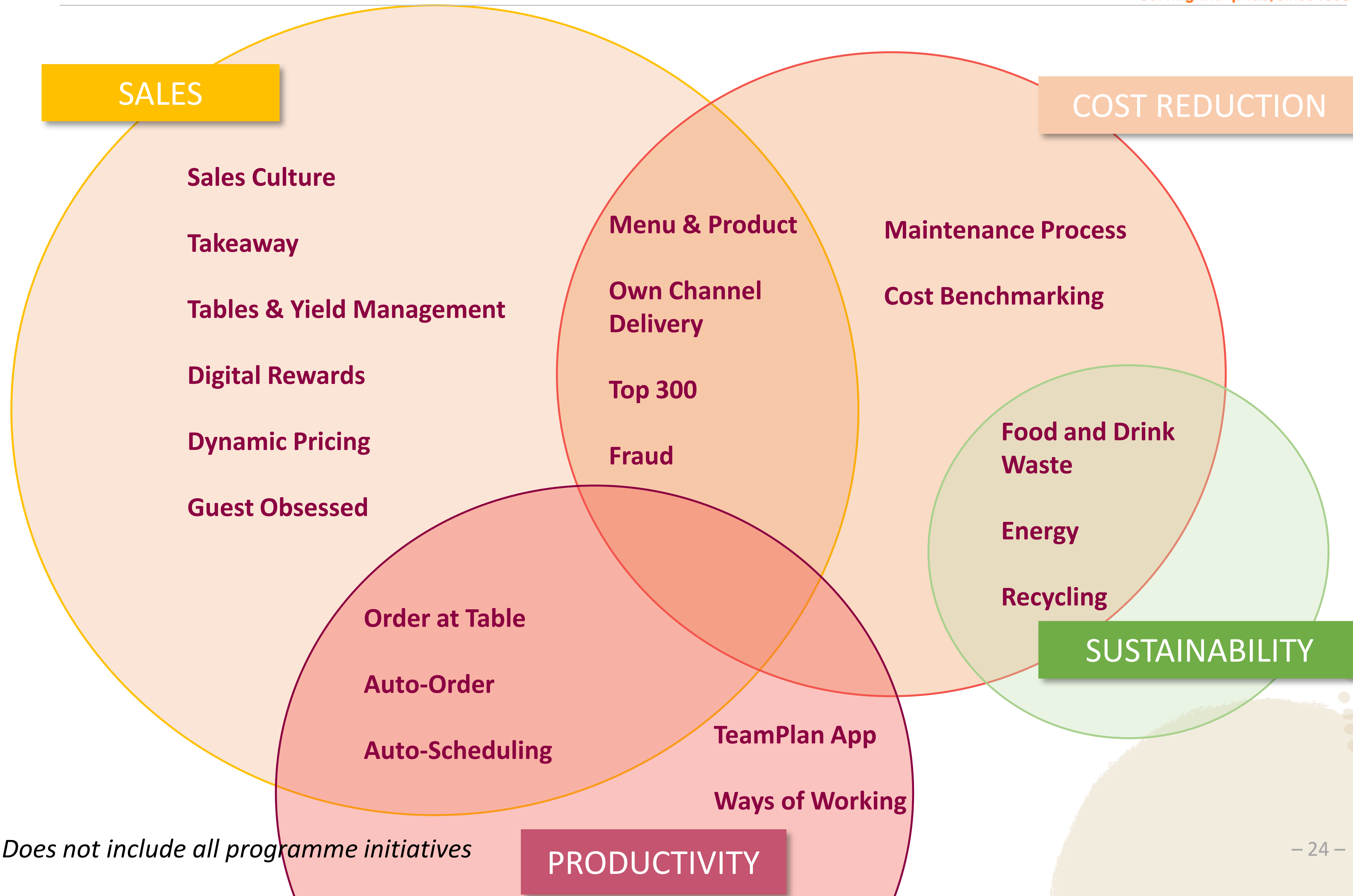
- Target reinvestment every 7 years
- New investment template - Browns in suburbia. 2 sites now open (Browns Beaconsfield, Browns Ruislip)
- Completed detail cost engineering to help offset project cost inflation

Browns Beaconsfield

3rd Lever: Ignite
Selection of initiatives



Does not include all programme initiatives

Sustainability

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MAKING *moments* MATTER

We are committed to reducing our emission, tackling waste and protecting biodiversity.

We strive to deliver responsibly sourced products and menu options for everyone.

People are central to our business, we are focused on supporting our teams and the communities we serve.

TARGETS

NET ZERO EMISSIONS BY 2040

ZERO WASTE TO LANDFILL BY 2030

REDUCE FOOD WASTE BY 50% BY 2030

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Questions


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Supplementary Slides
28

FY 2022 – Outlet reconciliation

	Total Managed[1]	Franchised	Total MAB
Opening outlets (start FY 2022)	1,657	72	1,729
Transfers	(5)	2	(3)
Disposals	(7)	(2)	(9)
Acquisitions	1	-	1
Closing outlets (end FY 2022)	1,646	72	1,718

Notes:

1. FY 2022 closing managed total includes 10 non-trading sites.
2. Lodges attached to sites do not appear as a separate outlet.

Creating equity value through deleverage

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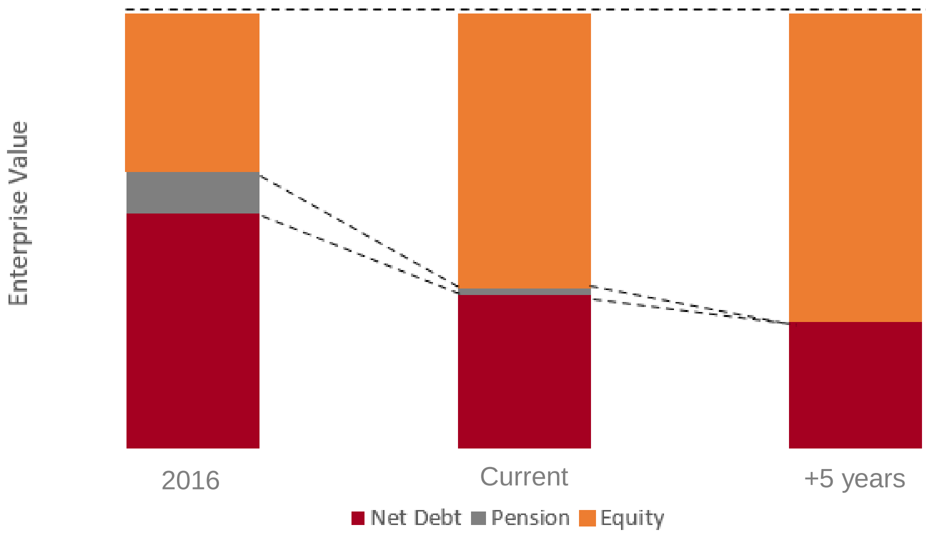
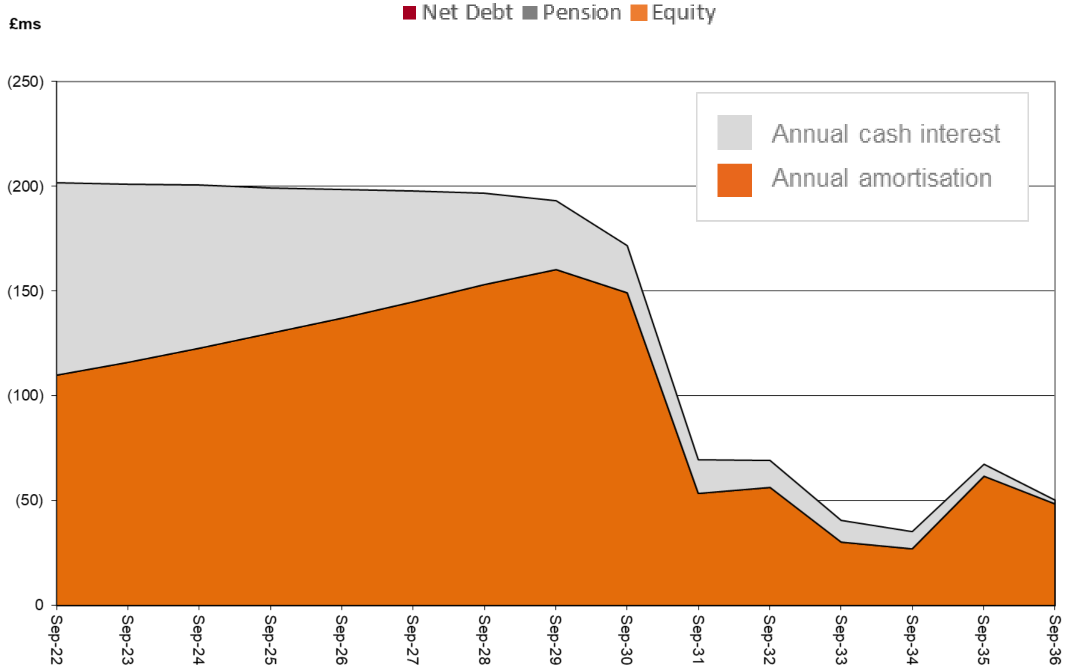


- Progress in deleverage through securitisation amortisation and pensions deficit contributions
- Over past six years net debt (excl. pensions and leases) reduced from £1,840m to £1,198m

Note: Assumes consistent enterprise value and net debt excludes IFRS16 liabilities



- Securitisation debt service