



Mitchells & Butlers

Food for thought

8 February 2013

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Chief Executive

Agenda



- Background on Mitchells & Butlers
- Recap of results and recent trading
- Review of M&B fundamentals
- Conclusion



Background on M&B

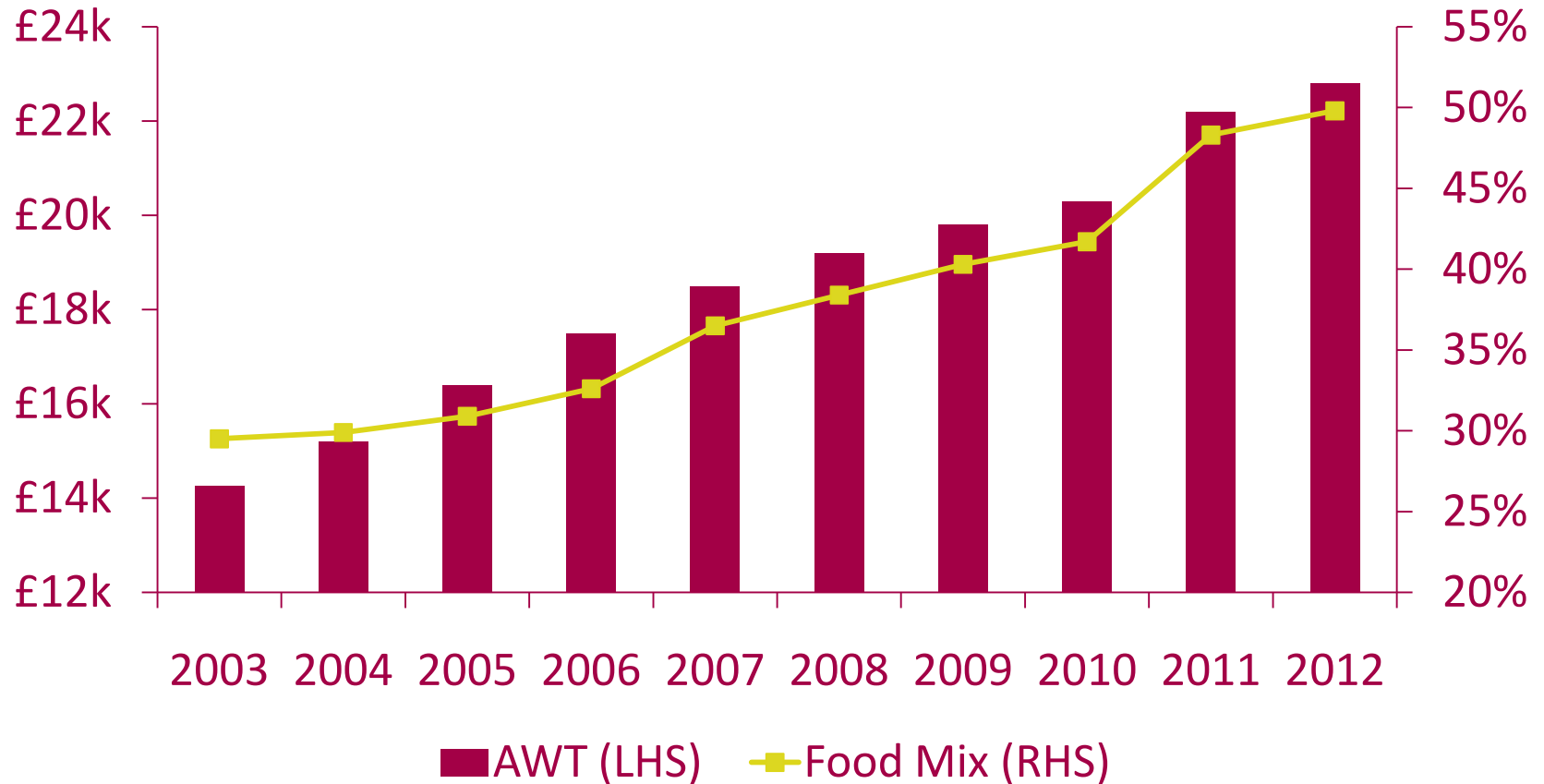


- Demerged from Bass/Six Continents in 2003
- Largest UK managed restaurant and pub company
 - 1,600 restaurants & pubs nationwide
 - 130m meals and 420m drinks sold p.a.
- £3.8bn asset base: 85% freehold
- Long term securitised debt finance



High quality estate heavily focused on eating out

Long term sales trends



Consistent food focus and growth in sales

Solid results during period of change



Income statement (52 weeks)

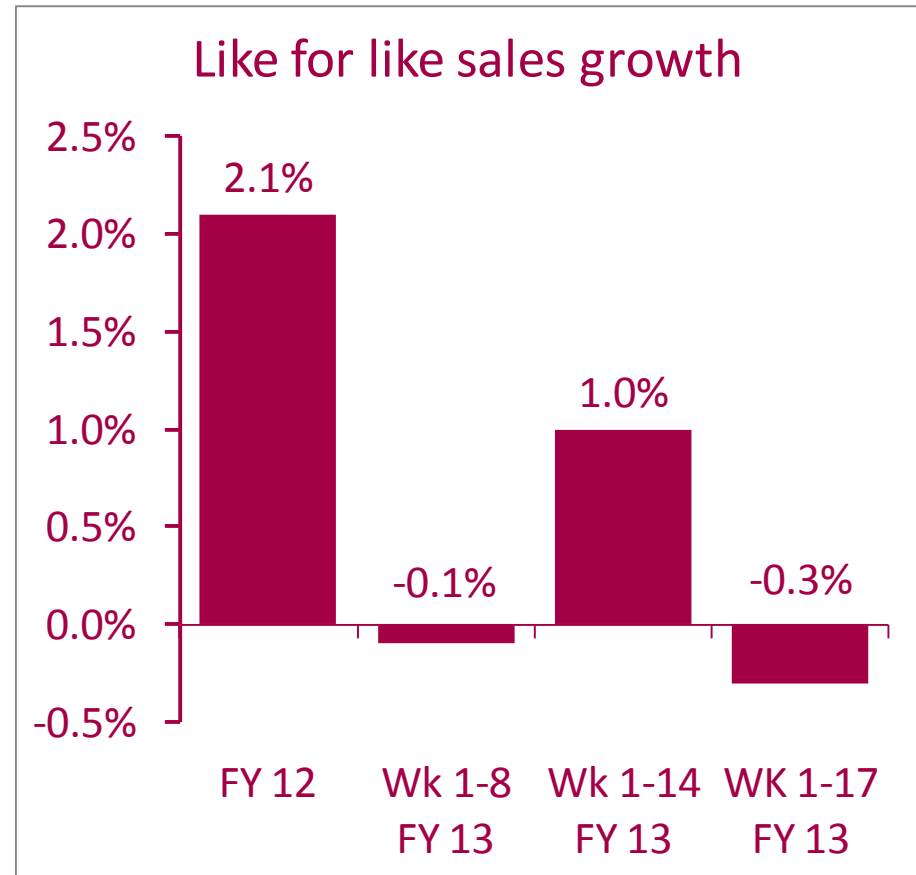
	FY 2012 52 wks £m	FY 2011 52 wks £m	
Retained Estate:			
Revenue	1,855	1,762	5.3%
Operating profit*	297	288	3.1%
Disposed operations	-	6	
Total operating profit*	297	294	1.0%
Interest*	(135)	(138)	
Profit before tax*	162	156	3.8%
Earnings per share*	29.8p	28.0p	6.4%

Resilient profit growth

* Stated before exceptional items and other adjustments

Recent trading and outlook

- LFL sales up 4% over the festive season
- Challenging January post holidays and snow
- No significant change to economic environment
- Operational execution is key



Focus on operational execution in a challenging market



M&B: fundamentals

1. High quality freehold estate
2. Winning brands and formats
3. Highly engaged retail teams
4. Scale at corporate, brand and unit levels
5. Strong balance sheet with secure asset backing

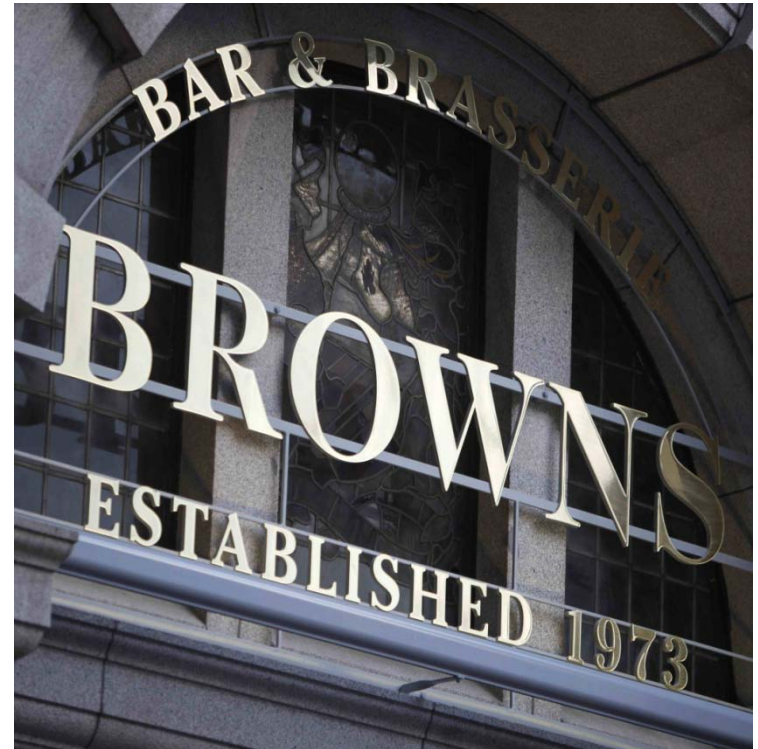
Strong foundations on which to build

M&B fundamentals:

1. High quality freehold estate

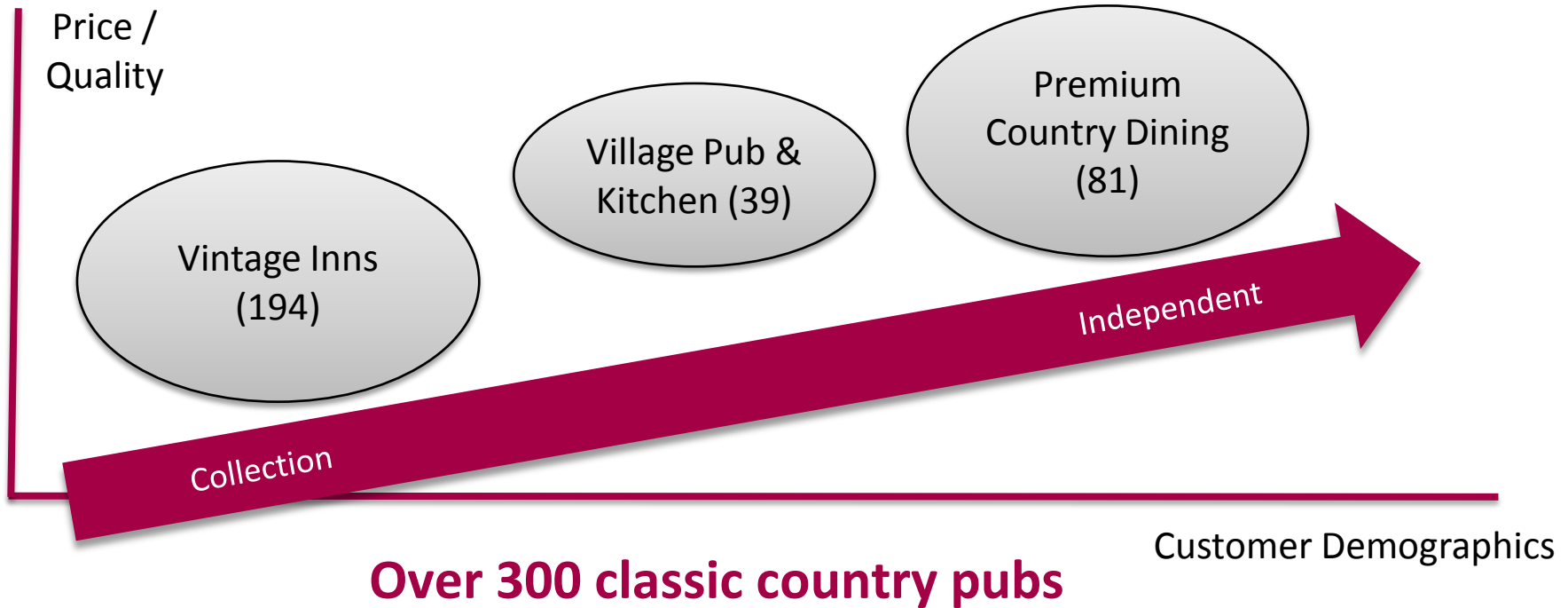


- 85% freehold
- c. 45% in London or South East
- £3.8bn asset base
- Annual valuation
- c. £90m of maintenance capex



One of the highest quality pub estates in the UK

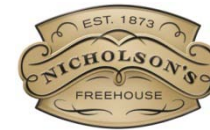
Case study: Country pubs



M&B fundamentals:

2. Winning brands and formats

- Industry-leading brands & operating formats
- Meeting guest needs across the market
- Leveraging brand strength
- Ability to move with market trends
- Three quarters of brands & formats developed through in-house innovation

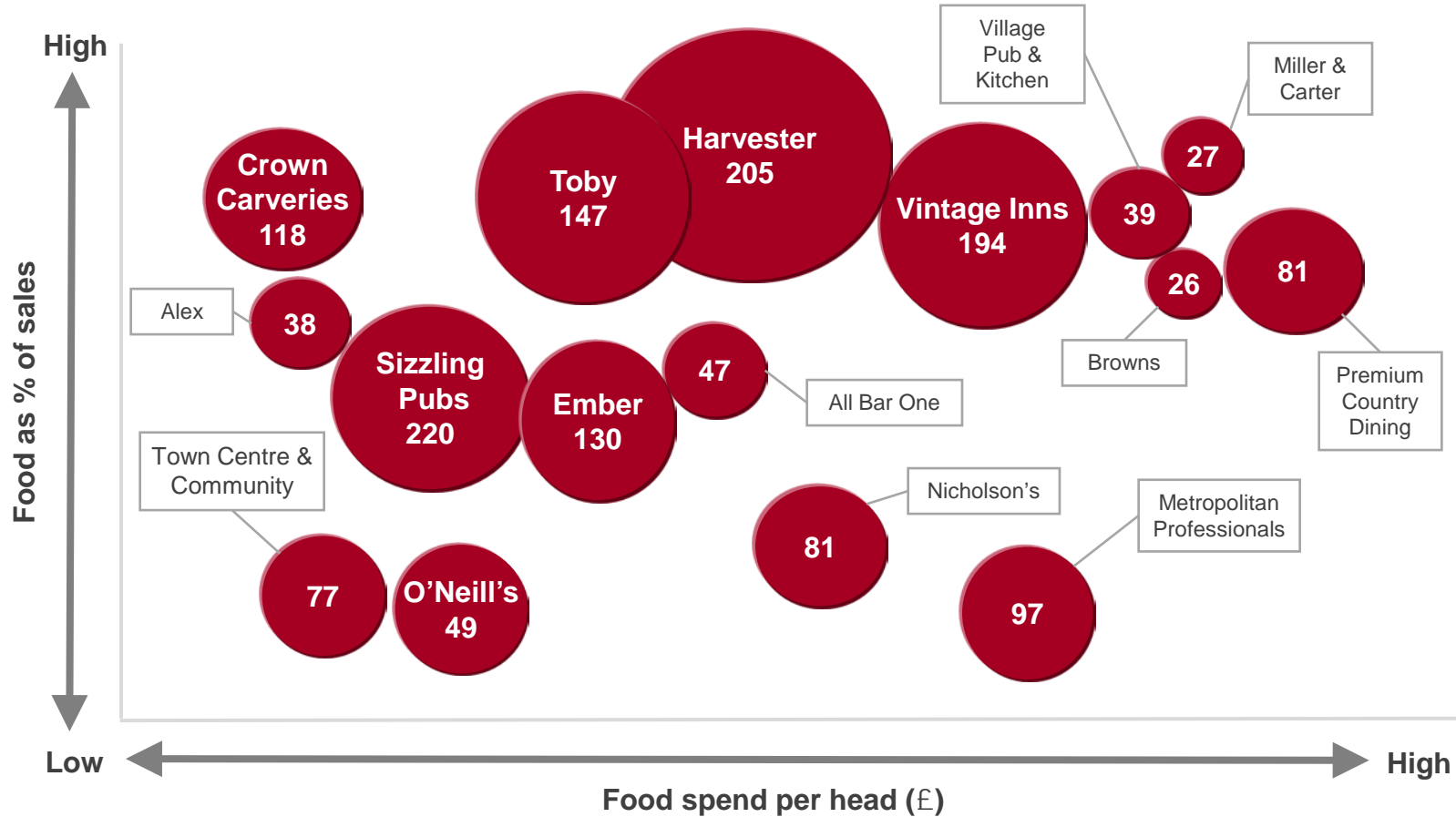


ALL·BAR·ONE



Household names and well-loved brands

M&B brands and formats



Food is 50% of sales; eating-out is 75%

- Notes:
1. Numbers in circles are numbers of sites at the FY 2012 year end
 2. Excludes 62 leased and franchise outlets

Case study: Harvester



- 205 restaurants nationwide
- Salad & grill menu
- Family, healthy, choice, affordable
- Responds well to TV, radio and press advertising

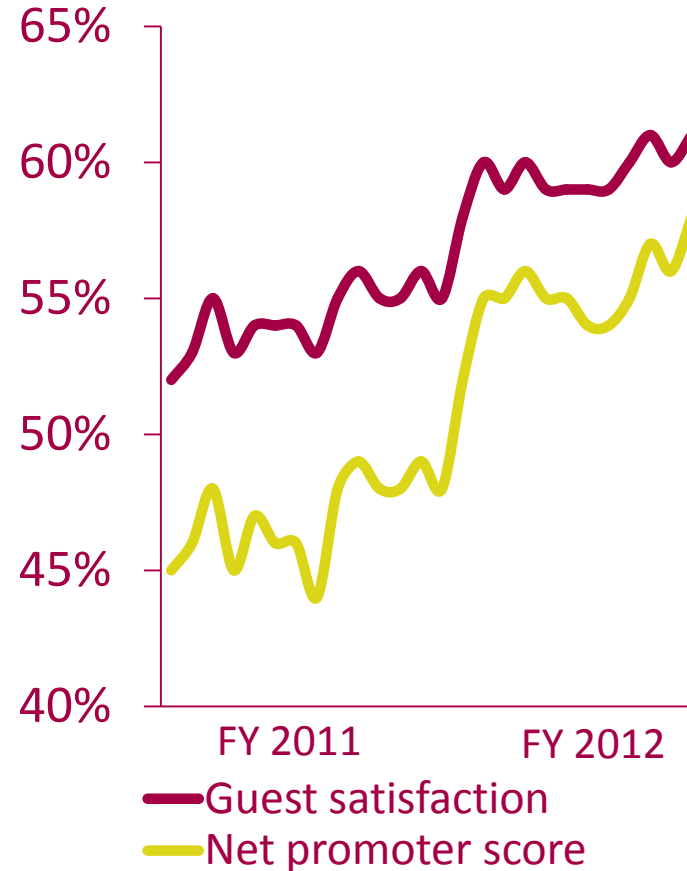


M&B fundamentals:

3. Highly engaged retail teams



- Increased front line labour and training
- Investment in amenity
- Improved:
 - Guest satisfaction
 - Guest recommendation
 - Employee engagement



Improved guest focus throughout the organisation

Notes: 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’

Case study: Miller & Carter



Raw product



Cooking Skill & Expertise



Service / Environment



Engagement from field to fork = guest recommendation

M&B fundamentals:

4. Significant scale



- Significant corporate scale:
 - Purchasing : 130m meals and 420m drinks
 - Investing in IT infrastructure
- Significant brand scale
 - National brand advertising
 - Social media presence
 - Attractive partnership opportunities
- Significant unit scale:
 - Average weekly takes £23k
 - Operational efficiencies



Benefits of scale at corporate, brand and unit levels

M&B fundamentals:

5. Strong balance sheet

	FY 2010	FY 2011	FY 2012
Property, plant and equipment book value	£3,693m	£3,848m	£3,848m
Group net debt	£2,302m	£1,870m	£1,841m
Net debt : EBITDA	5.1x	4.7x	4.5x
Interest cover ¹	2.1x	2.1x	2.2x
FCF DSCR (covenant 1.1x) ²	1.6x	1.5x	1.6x

Long term debt financing secured on asset base

1: Interest cover is defined as pre-exceptional EBIT / pre-exceptional net finance costs

2: The FCF (free cash flow) DSCR (Debt service cover ratio) is as defined within the securitisation documents

More to do



- LFL sales below major peers
- Inconsistent returns on capital
- Triennial pension valuation
- Ongoing business transformation focused on guest service



Opportunity to build on strong foundations



Priorities for the year ahead

- Successful execution of established strategy
- Guest service
- Brand development
- Operational excellence: safe, efficient
- Proactive response to cost inflation (especially food)
- Focus on returns on expansionary capital
- Triennial pension valuation

A unified business intent on growth



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