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Mitchells & Butlers Full Year Results 2020

Phil Urban
Chief Executive Officer

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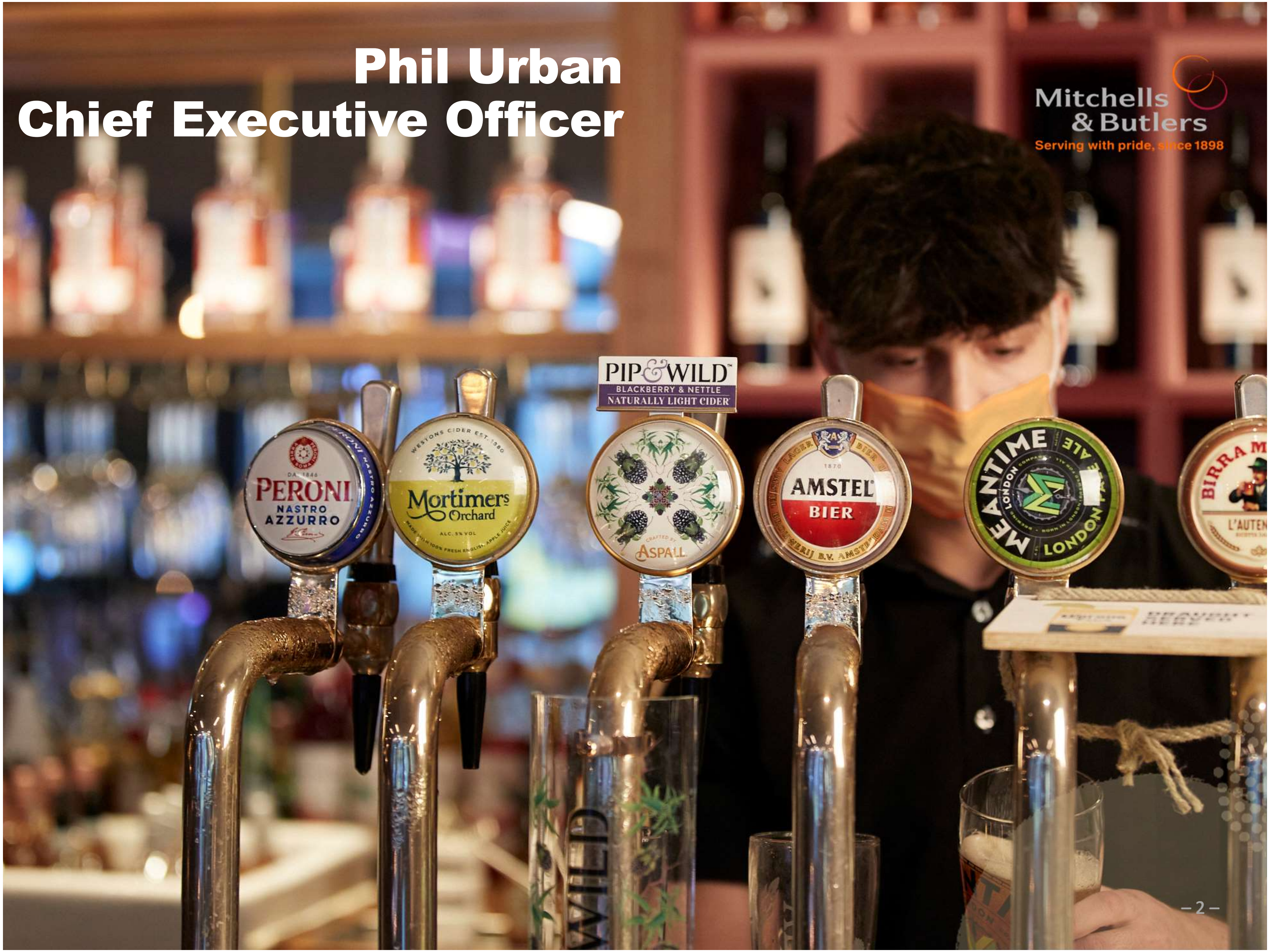

A strong start to the year

- Strong trading performance, including growth over the festive period of 5.6%
- Ignite initiatives continued to add value
- Improved margins and labour efficiency resulted in operating profit growth
- Further initiatives were yet to be rolled out
- Positioned for a strong year in advance of Covid-19

Initial business closure in March

- Trading remained resilient during initial reports of Covid-19 cases
- As trading began to be significantly impacted we quickly entered the initial closure period announced on 20th March
- Measures were quickly taken to preserve profitability and reduce waste:
  - tried to sell or divert to charity any perishable stock
  - over 99% of employees were placed on furlough
  - worked closely with suppliers and landlords to preserve cash
  - expenditure minimised including halting Ignite initiatives and capital programme
- Securing financing arrangement an immediate priority

During closure

- A skeleton team was retained to ensure security and maintenance of sites
- Played an active role in UK Hospitality's work to lobby Government to:
  - secure early warning of reopening date
  - devise Covid secure protocols
- Smooth reopening of 85% of the estate on 4th July thanks to detailed protocols

Successful reopening

- Extensive protocols meant capacity was well controlled on reopening
- Trade built quickly during July, suburban and food led businesses performing well and city and wet-led struggling
- Eat Out to Help Out Government scheme successful, resulting in like-for-like growth of 1.4% over August
- Trading resilient into September until increased restrictions including 10pm curfew and the tiered system began to negatively impact trade
- A second period of closure in England began on 5th November

Current trading position

	Open	Closed
England	0	1,477
Wales	56	3
Scotland	24	56
Germany	0	44

- Reopening from 2nd December will be with tougher restrictions
- Site closures and social distancing measures will impact festive trade, but expect December to be a profitable month
- Trade not likely to return to pre-Covid levels until restrictions are lifted
- Confident of our competitive strength and ability to perform strongly when allowed

Adapting to the new environment

- Work on Ignite will continue to enable acceleration in 2021
- Order at table app accelerated to be live across 8 brands before Christmas
- There has been a step up in Delivery and Click and Collect sales to £400k per week
- Embracing video conferencing will deliver future efficiencies

Strength of our people

- Our teams have faced the challenges with exceptional professionalism
- Front line teams have adapted to ever-changing protocols whilst protecting guests' experiences
- Protecting jobs has been a priority
- Not been immune to the impacts of the pandemic and unfortunately had to make c.1,300 redundancies since the year end
- We hope that due to the extension of the Job Retention Scheme we will be able to maintain the majority of roles and hit the ground running when restrictions are lifted

Summary

- Ignite continued to deliver momentum before closure
- Strength of business remains:
  - 82% freehold estate
  - broad portfolio of popular brands
- Industry supply will be reduced following pandemic
- Confident in ability to regain position at top of the UK hospitality sector


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Financial Review 2020
Tim Jones
Chief Financial Officer

Key messages

- Covid-19 has led to an uncertain and challenging year
- Strong and immediate action taken to preserve profitability
- Stability and flexibility obtained through revised financing arrangements
- Strong market position for when restrictions are lifted

Income Statement (before adjusted items)

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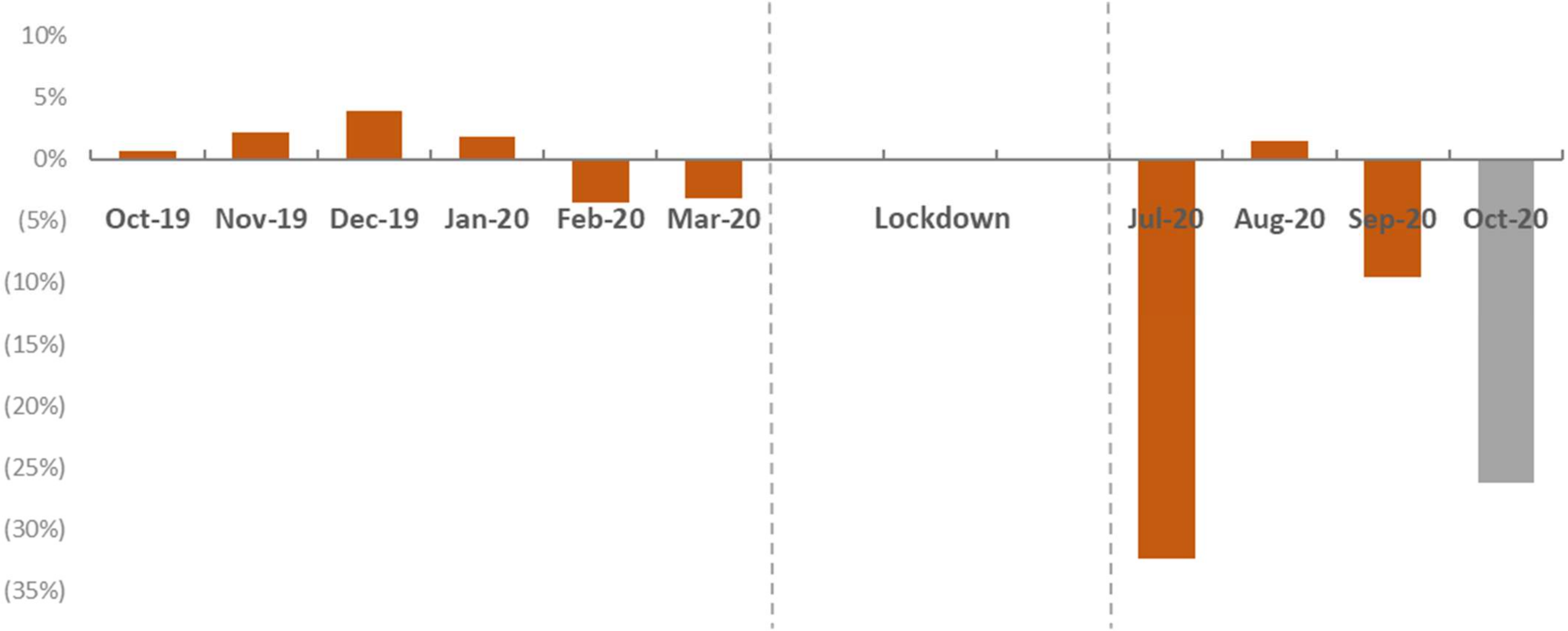
	FY 2020 £m	FY 2019 £m
Revenue	1,475	2,237
Operating costs	(1,376)	(1,920)
Operating profit	99	317
Interest	(127)	(113)
Pensions finance charge	(4)	(7)
Profit before tax	(32)	197
Operating margin	6.7%	14.2%
(Loss)/Earnings per share	(6.3)p	37.2p

FY 2020 includes impact of adoption of IFRS 16, as a result of adopting the modified retrospective (asset equals liability) method, 2019 comparatives have not been restated

Like-for-like sales



Proportion of estate open	86%	94%	95%	90%

- Like-for-like sales primarily determined by Government restrictions
- Food has generally performed better than drink
- Restrictions continued into FY 2021 leading into the second lockdown on 5 November

Cash flow

	FY 2020 £m	FY 2019 £m
EBITDA before movements in the valuation of the property portfolio	255	418
Non cash items	5	24
Operating cash flow	260	442
Working capital movement	20	9
Pension deficit contributions	(25)	(49)
Cash flow from operations	255	402
Capital expenditure	(108)	(152)
Net finance lease costs	(28)	-
Interest	(108)	(111)
Tax	(11)	(25)
Disposal proceeds and other	-	11
Net drawings/(repayment) on facilities	119	(27)
Net cash flow before bond amortisation	119	98
Mandatory bond amortisation	(95)	(87)
Net cash flow	24	11
Group net debt excluding IFRS 16 lease liabilities	(1,563)	(1,564)

Balance Sheet and Liquidity

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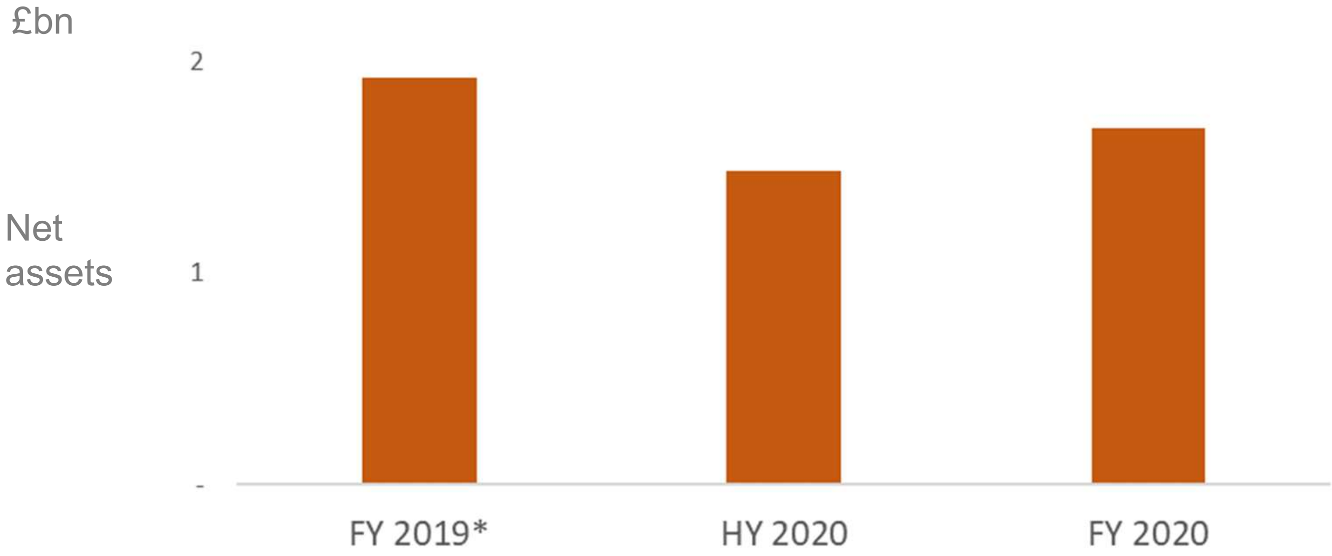
- Strong platform of liquidity and financial flexibility established in the Summer:
  - Existing unsecured facilities increased to £250m and extended to end of 2021.
  - Covenant waivers obtained as part of refinancing for the Securitisation, including 6 month look back test waived to July 2021 and 12 month look back test waived to September 2021.
- Current monthly cash burn in lockdown is £35m to £40m before payment of debt service (interest and amortisation) costs of £50m per quarter.
- The Group currently has cash balances on hand of £125m in addition to access to committed undrawn unsecured facilities of £100m, giving a total liquidity of £225m.

Property valuation and net assets



* Adjusted for IFRS 16 impact

- Increase in net assets and property valuation since HY 2020 following resumption of trading
- Total freehold and long lease estate valuation of £3.8bn (FY 2019 £4.0bn)
- Net assets £1.7bn (£3.90 per share)

Outlook

- Challenging and highly uncertain trading environment which depends on Government restrictions
- Unable to provide guidance on expected forward financial performance
- Confident in ability to recover quickly once restrictions are lifted
  - Strong estate of largely freehold assets
  - Balanced portfolio of well-known brands
  - Proven management team
  - New wave of Ignite initiatives ready to roll out

Questions

Full Year Results 2020
Supplementary Slides

FY 2020 – Outlet reconciliation

	Total Managed[1]	Franchised	Total MAB
Opening outlets (start FY 2020)	1,680	68	1,748
Transfers	(5)	5	-
Disposals	(8)	(2)	(10)
Acquisitions	-	-	-
Closing outlets (end FY 2020)	1,667	71	1,738

Notes:
1. FY 2020 closing managed total includes 7 non-trading sites.
2. Lodges attached to sites do not appear as a separate outlet.

FY 2020 – Securitisation profile

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