

24 July 2014

Mitchells & Butlers plc
Third Quarter Interim Management Statement

Operating performance

Total sales growth in the third quarter was 3.8%, bringing growth in the first 42 weeks to 2.9%.

Over the third quarter like-for-like food volumes continued to increase, although sales remained flat as we held prices and saw a decrease in food spend per head. This reflected a weak eating and drinking out market¹ in the UK during May and June, exacerbated for restaurants by the impact of the football World Cup. In the last few weeks we have seen an improvement in demand, particularly for food, from these levels. Operating margins are slightly below last year.

Like-for-like sales	H1 2014 28 weeks to 12 April 2014	Q3 2014 14 weeks to 19 July 2014	Trading to IMS 42 weeks to 19 July 2014
Total	1.1%	0.0%	0.7%
Food	0.9%	0.6%	0.8%
Drink	1.3%	-0.5%	0.6%

Acquisition of the majority of the Orchid Group

We successfully acquired 173 outlets from the Orchid Group ('Orchid') on 15 June 2014 and their results are included within total sales for the five weeks following this date. The acquisition is in line with our strategy to focus on long-term growth in the eating-out market and provides significant opportunity for sales and margin growth through both the conversion of selected sites to Mitchells & Butlers brands, and through cost synergies from the combination of support functions.

Integration is progressing well and we remain confident that the acquisition will be immediately enhancing to adjusted earnings².

Cash flow and balance sheet

Since the date of the half year financial statements (12 April 2014), there have been two significant balance sheet movements, both of which have been previously announced.

Firstly, we reached agreement on the triennial valuation of the group pension schemes as at 31 March 2013, including a funding shortfall of £572m and a revised schedule of contributions. As a result net balance sheet pension liabilities under IAS 19 (revised) have increased by c£200m after tax.

Secondly, net debt at the end of the third quarter has increased following the all cash purchase of Orchid for £266m. The substantial majority of this consideration was funded using existing cash resources in addition to putting in place unsecured facilities totalling £150 million, provided by existing lenders. The new facilities have a maturity of three and a half years.

In addition to the Orchid transaction we have opened 20 new sites and converted 8 sites so far this financial year.

Alistair Darby, Chief Executive, commented:

“Despite the slowdown in the UK eating and drinking out market during May and June, we remain confident in our well established strategy. We have continued to achieve growth in food volumes, further improvements in staff turnover and strong Net Promoter Score – all key lead indicators of long term success.

This is an exciting time for our business as we start the integration of the high quality Orchid estate, which we believe will accelerate our growth and create significant value over the long term. We remain focused on our strategic priorities and are well-placed for future success.”

¹ Source: Coffer Peach Business Tracker

² This should not be construed as a profit forecast. In particular, it should not be taken to mean that the earnings per share of Mitchells & Butlers for the year ending 30 September 2014 will necessarily be higher than for the year ended 30 September 2013.

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Notes for editors:

- Mitchells & Butlers is the UK’s largest operator of managed restaurants and pubs. Its portfolio of brands and formats includes Harvester, Toby Carvery, Country Pubs, Sizzling Pubs, Crown Carveries, Oak Tree Pubs, All Bar One, Browns, Miller & Carter, Castle, Alex, Nicholson’s, O’Neill’s and Ember Inns. Further details are available at www.mbplc.com and supporting photography can be downloaded at www.mbplc.com/imagelibrary
- Mitchells & Butlers serves around 130 million meals and 410 million drinks each year and is one of the largest operators within the UK’s £75 billion eating and drinking out market.
- Like-for-like sales growth includes the sales performance against the comparable period in the prior year of all UK managed pubs, bars and restaurants that were trading in the two periods being compared. Like-for-like sales are measured against relevant accounting weeks in the prior year. For the 42 weeks to 24 July 2014, 96% of the UK managed estate (excluding Orchid) is included in this measure.