



19 Nov 2013

## ENTERPRISE INNS (ETI): 138p

### Full Year Results – Year to 30 Sept 2013

*Improving trend, Ted Tuppen hands over to Simon Townsend...*

Year to end-Sep	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2012 (A)	34.0	20.5	6.7	Nil	Nil
2013 (E)	121.0	19.0	7.3	Nil	Nil
2014 (E)	123.0	19.2	7.2	Nil	Nil

Source: Company & Broker Estimates

### Full Year Numbers to 30 Sep 2013:

#### Key Points:

Enterprise Inns has this morning reported full year numbers to 30 September and our comments are set out below:

- Enterprise has reported an 'improving trend in LfL net income with growth of 0.6% in the final quarter and a decline of 2.9% for the full year'
- Pre-exceptional EBITDA is £313m (2012: £340m), PBT was £121m (2012: £137m) and adjusted EPS was 19.0p (2012: 20.5p)
- Recent trends have been as follows:

**Tab.1. Enterprise Inns LfL Income Trends:**

Period	Ave. income per pub (%)	LfL income per pub (%)	LfL income, substantive estate (%)
H1 – 2008/09	-8.0		
FY – 2008/09	-8.0		
H1 – 2009/10	-3.1		
FY – 2009/10	-2.0		
H1 – 2010/11	0.0	-5.0	-1.5
FY – 2010/11	+1.0		
H1 – 2011/12	+3.2	-1.6	+1.5
FY – 2011/12	+2.6	-1.2	+2.2
H1 – 2012/13		-4.2	
Est. 'real' decline		-2.0	
Q3 – 2012/13		-2.7	
Q4 – 2012/13		+0.6	
FY – 2012/13		-2.9	

Source: Company Reports

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Market Cap: £698m  
12m range 66p 158p

- 2013 was a tough year in that it included poor spring (but better summer) weather and comparatives from 2012 included Euro 2012 and the Diamond Jubilee
- Enterprise previously reported that its 4.2% decline in LfL income in H1 this year (down only 1.2% in FY 2011/12) was in large part due to the poor spring weather and the collapse of Waverley
- The group has reported that, on an 'adjusted' basis, the decline would only have been around 2.0%, suggesting that trading has improved sequentially since 2010/11
- The Q4 increase in LfL income is the first for a number of years and 'net income growth has been sustained in the first 7 weeks of the current financial year'
- The rate of business failures has continued to fall, the South and particularly London, performed more strongly than the country as a whole and the group is 'on a clear path to return to growth in the near term'

#### Debt, Balance Sheet, Outlook and Other:

Enterprise Inns has this morning also announced that CEO Ted Tuppen is to retire. He will be succeeded by COO Simon Townsend

- Cash flow has been 'strong' and net debt, including some £150m of disposal proceeds, has fallen by £216m to £2.5bn
- Current CEO Ted Tuppen is to retire on 6 February and will leave the company on 19 May. He will be succeeded by Simon Townsend, who is currently group COO
- Chairman Robert Walker thanks the outgoing CEO for his 'outstanding contribution and says Simon 'will have the support of a strong management team'

**Langton Comment:** Enterprise Inns reported that its LfL net income was in (unspecified) growth in the first five weeks of Q4 and this has continued throughout the quarter and into the new financial year. This is the first period of growth that the company has experienced for a number of years.

Enterprise's share price is all about recovery. The group has survived and is now moving profitability forward. Its rating, around 7.2x this year's earnings, has until recently been rising (on falling profits) but, if this trend can be turned, then the basis on which the shares are being valued could shift materially.

There is no dividend as yet and much remains to be done but Enterprise does appear to be on the road to recovery and some would-be holders could (after several years of being repelled) be attracted by the group's large amount of fixed rate debt in a period during which interest rates (and perhaps inflation) could rise.

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