



6 February 2013

ENTERPRISE INNS (ETI): 163p Trading update, 18w to 1 Feb 2014

Group says 'our trading performance in the first 18w...has been encouraging and is in line with our expectations...'

Year to end-Sep	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	121.0	19.0	8.5	Nil	Nil
2014 (E)	120.0	18.3	8.9	Nil	Nil
2015 (E)	123.5	18.9	8.6	Nil	Nil

Source: Company & Broker Estimates

First 18w trading to 1 Feb 21014:

Enterprise Inns has this morning updated on trading for the 18w period 1 February and our comments are set out below:

- Enterprise has reported that positive trading has continued and says that LfL income across its entire estate is up by 1.0% in the first 18w
- The group says 'we are focused on continuing to implement actions that will sustain this trading performance'
- It concludes 'despite market conditions remaining volatile and challenging, we are confident...we are providing the appropriate foundations for delivering sustainable net income growth'
- 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	

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Market Cap: £815m
12m range 95 165p

Q3 – 2012/13	-2.7
Q4 – 2012/13	+0.6
FY – 2012/13	-2.9
First 18w 2013/14	+1.0

Source: Company Reports

- The group continues to sell bottom end pubs and expects such disposals to net it some £70m in the current FY
- To w18, it has exchanged on 84 units at proceeds of £31m and sees these sales 'generating a healthy premium to book value'
- The group will refurbish units to the tune of £65m this year and says that bank borrowings, net of cash, are some £104m compared with £301m a year ago
- As previously reported, long-standing CEO Ted Tuppen will retire today to be succeeded by COO Simon Townsend
- The group has also announced that former M&B CEO Adam Fowle is to join the Board today as a Non-Executive Director

Langton Comment: Enterprise Inns has reassured that recent positive trends reported across its estate have remained in place and suggests that it will continue to perform for the remainder of the current financial year.

This is reassuring and does mean that would-be investors may gradually be coming to see Enterprise Inns as once again an investible stock and, over time, its PER (only 7.3x this year falling to 7.2x next), will become more relevant than its debt pile.

Debt appears to be manageable and is coming down. The group has yet to pay a dividend, however, and this may dissuade some observers from getting involved. Nonetheless, the group is performing well, it is a geared play on the performance of several billion pounds worth of improving assets and investors 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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