



7 August 2013

## ENTERPRISE INNS (ETI): 119p Trading update, 44w to 2 Aug 2014

Group says 'trading during the period has been in line with our expectations...'

Year to end-Sep	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	121.0	19.0	6.3	Nil	Nil
2014 (E)	120.0	18.3	6.5	Nil	Nil
2015 (E)	123.5	18.9	6.3	Nil	Nil

Source: Company & Broker Estimates

Enterprise Inns has this morning updated on Q3 trading and for the cumulative 44w period 2 August and our comments are set out below:

- Enterprise has reported that trading has continued 'in line with expectations' and says that LfL income across its entire estate was up by 2.1% in Q3
- Q4 has seen tougher comps against the hot summer last year and cumulative H2 comps are running up by 1.5% (first 18w of H2) & 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	
H1 – 2013/14		+1.1	

Source: Company Reports

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Market Cap: £596m  
12m range 116p - 168p

- The group says ‘we remain focused on the delivery of our operational initiatives which we are implementing to continue to improve our trading performance.’
- It reassures ‘the rate of business failure continues to fall and we are making further progress with the provision of additional services to our publicans which are aimed at supporting publican profitability.’
- Enterprise continues to sell bottom end pubs and expects such disposals to net it some £70m in the current FY
- It says ‘strong cash generation from operating activities will continue to be used to reduce debts and we anticipate total net debt will be reduced to £2.4 billion by the year end.’
- Overall, CEO Simon Townsend says ‘we are pleased to report continued progress for the business with the delivery of our fourth consecutive quarter of like-for-like net income growth.’
- Q4 will be tougher but ‘we are encouraged by the start we have made and remain comfortable with our full year expectations.’
- Mr Townsend concludes ‘we are focused on constantly improving the quality of our pubs’ and suggests that ‘through these initiatives we believe that our progress will be maintained.’
- The group will update further via a conference call with analysts at 9am.

**Langton Comment:** Despite the fact that its shares have been weak over recent months, Enterprise Inns has been able to reassure 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 6.5x this year falling to 6.3x 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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