



11 February 2016

ENTERPRISE INNS (ETI): 72.75p Q1 Trading Update – 19wks to 6 Feb 16:

Group says has it has seen 'strong trading with improved like-for-like net income growth...'

Year to end-Sep	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2014 (A)	121.0	19.0	3.8	Nil	Nil
2015 (E)	116.3	18.7	3.9	Nil	Nil
2016 (E)	124.0	19.1	3.8	Nil	Nil

Source: Company & Broker Estimates

AGM update – 19wks to 6 Feb 16:

Enterprise has today updated on trading for the 19wk period to 6 Feb and our comments are set out below:

- The group has achieved 'strong trading with improved like-for-like net income growth.'
- It says that the 'implementation of [its] strategic plan [is] on track'
- The group says 'we have made a strong start to the financial year with like-for-like net income in the leased and tenanted estate growing by 1.6% for the 19 weeks to 6 February 2016.'
- It adds 'this performance has been achieved as a result of stabilising rental income, growing income from beer sales and driven by the provision of operational support and commercial benefits to our publicans.'
- Recent LfL profit trends are shown below:

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

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Market Cap: £363m
12m range 72p - 136p

FY – 2011/12	+2.6	-1.2	+2.2
H1 – 2012/13		-4.2	
FY – 2012/13		-2.9	
H1 – 2013/14		+1.1	
FY – 2013/14		+1.4	
H1 – 2014/15		+0.6	
FY – 2014/15		+0.8	
Of Which Q4		+1.0	
First 6w of 15/16		'in line'	
First 19w of 15/16		+1.6	
Source: Company Reports			

Operational & Strategic Highlights:

- Enterprise reports 'the execution of our strategic plan for the business, announced on 12 May 2015, is on track.'
- It says 'the trading performance and expansion of our managed house operations is progressing in line with our plans and we expect to have in excess of 100 managed houses operational by 30 September 2016.'
- Enterprise adds 'in addition we continue to grow our portfolio of quality commercial properties and expect to have over 300 such properties by the financial year end.'
- Overall, CEO Simon Townsend reports 'we are pleased to have made a strong start to the year, delivering continued growth of our leased and tenanted business, and this provides us with confidence that we are on track to deliver our expectations for the full financial year.'
- Mr Townsend adds 'furthermore, we have made good progress executing our operational strategy while recruiting and developing the organisational capabilities necessary to achieve our strategic objectives.'

Langton Comment: Enterprise has reassured that its transformation remains on track and its trading is in line with expectations.

However, the group's shares have been extremely weak lately, largely on debt concerns.

This being a trading statement, there is no guidance on debt, specifically on the repayment preparations for the £70m odd of Unique debt that needs to be repaid in each of this year, 2017 and 2018.

The group's shares have almost halved since their recent peak in May last year. They are now extremely cheap on an EPS basis but, with bond spreads rising, some would-be shareholders may need to see progress on debt talks before they make a commitment.

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