



6 September 2011

Leisure: Greene King (GNK): 431p AGM statement & trading update

Greene King has this morning released the trading statement that will be presented at its AGM later today and has updated on trading for the first 18 weeks of its current year being the period to 4 September. Our comments are set out below:

- Green King has this morning updated on trading for the 18w to 4 September saying that the trading outlook remains uncertain but that the business remains confident regarding its own prospects
- **Retail** – LfL sales at GNK’s managed units were +2.6% for the 18w to 4 Sept and, after a slow May, were up by 4.3% in the last 10w despite the World Cup in 2010
- The group continues to focus of food (+4.2% in the last 18w) and both ‘Cloverleaf and Realpubs are trading strongly’ with operational synergies of £2m now expected from Capital Pub Company
- **Tenanted & Leased** – LfL EBITDA per pub is down 1% but average EBITDA is +2.4%
- **Beer Company** – Own brewed volumes were up by 1.8% and +5.0% in the last 10w and recent trends are shown below:

Period	Managed (sales / pub %)*	Tenanted & Leased (profit / pub)*	Own-brand beer volumes %
H1 (24w) 09/10	+4.6	‘improving’ , down 6.4% to	+9.4
To w49 09/10	+3.6	-3.4	+3.9
H1 to w24 10/11	+3.8	+0.4 LfL	-3.7
FY 2010/11	+4.9	+1.0 LfL#	-2.0
To w8 11/12	+1.0	-1.0 LfL	-2.0
To w18 11/12	+2.6	-1.0 LfL	+1.8
Therefore last 10w	+4.3	-1.0 LfL	+5.0

*Source: Greene King, *including Belhaven from FY 2010/11, #excluding Belhaven*

- ‘Margins, profit, cash-flow and balance sheet remain in line with...expectations’
- The group cautions that ‘the trading outlook remains uncertain’, but remains confident that its retail expansion strategy will ‘increase our market share and continue to deliver value to our shareholders’

Langcap Comment: Greene King has generally reassured that, after a tough May, trading has improved. It is understandably cautious re the outlook for consumer spending but believes that it is on the right track. It has paid full prices for Cloverleaf, Realpubs and Capital Pub Company but its acquisitions have ensured that it is taking market share. The group should earn around 51p for the current year and perhaps 54p in 2012/13 suggesting that the company’s shares trade on less than 8.5x this year’s earnings and 8x next. In the absence of downgrades, they continue to offer good value.

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