



13 January 2014

GREENE KING (GNK): 896p First 36w (Q3) Trading Update to 5 Jan 2014

Group reports 'strong trading drives record Christmas sales/...'

| Year to end-Apr | PBT (£m) | EPS (p) | PER (x) | DPS (p) | Yield (%) |
|-----------------|----------|---------|---------|---------|-----------|
| 2013 (A) | 162.0 | 57.0 | 15.7 | 26.6 | 3.0 |
| 2014 (E) | 171.8 | 61.0 | 14.7 | 28.5 | 3.2 |
| 2015 (E) | 184.0 | 65.6 | 13.7 | 30.4 | 3.4 |

Source: Company & Broker Estimates

Q3, Christmas & 36w update to 5 January 2014:

Greene King has this morning updated on trading over the Christmas period and its year to week 36 and our comments are set out below:

Trading:

- The group last updated on 3 December (H1 numbers) at which time LfL sales at managed units were up by 3.5% (week 30)
- Sales at the H1 were up by 5.2% on an average basis across tenanted units and up by 1.7% at the beer company
- This growth has accelerated over Christmas with managed sales up by 3.8% in the year to date (w36) and up by 5.0% in the important last six weeks
- Average EBITDA per tenanted pub is up by 5.6[^] to date with core own-brand beer sales up by 5.8%. Details are shown below:
- **Tab.1. Greene King's Sales Trends:**

| Period | Managed Sales LfL (%) | Tenanted & Leased profit per pub (ave) % | Own-brand beer volumes % |
|-----------------|-----------------------|------------------------------------------|--------------------------|
| H1 09/10 | +4.6 | -6.4 | +9.4 |
| H1 10/11 | +3.8 | +0.4 LfL | -3.7 |
| FY 10/11 | +4.9 | +1.0 LfL | -2.0 |
| H1 11/12 | +3.8 | -0.3 LfL | +2.0 |
| FY 11/12 | +3.6 | -0.3 LfL | -0.7 |
| H1 12/13 | +3.9 | +3.9 | -0.9 |
| FY 12/13 | +2.3 | +4.2 | +1.0 |
| 18w (Q1+) 13/14 | +4.6 | +5.8 | +1.5 |

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Market Cap: £930m
12m range 120p 166p

| | | | |
|--------------|------|------|------|
| H1 13/14 | +3.5 | +5.2 | +1.7 |
| 30w of 13/14 | +3.5 | | |
| 36w of 13/14 | +3.8 | +5.6 | +5.8 |
| Last 6w | +5.0 | | |

Source: Company Reports

Greene King Retail:

- Managed sales on a LfL basis have accelerated with total sales up by 8.2% after 36w of the current financial year; sales over Christmas and New Year on a LfL basis were +6.3%
- The group has added a net 28 new sites to its retail estate in the year-to-date, the retail margin 'remains strong and we expect the full year to be in line to slightly ahead of last year.'

Pub Partners:

- Pub Partners 'continued to trade well' and the group says 'our disposal programme is on track with 81 non-core sites sold in the year-to-date.'

Brewing & Brands:

- Core own-brewed volume in Brewing & Brands showed 'growth of almost 20% in the last six weeks, driven by a strong Take Home performance.'
- This will have an impact on margin but the group reports Old Speckled Hen sales were up over 15% in the year-to-date

Conclusion and Outlook:

- The group says its expectations for profit, cash-flow and balance sheet are unchanged for the full year and it says 'we remain confident that we will continue to provide growth in earnings and dividends, and improving returns, to our shareholders.'
- CEO Rooney Anand says 'trading over the important Christmas and New Year period has been very strong with all of our businesses performing well'
- Adding a little detail he says 'retail LFL sales over the two most important trading weeks of the year were up over 6% and we sold a record 62,000 meals on Christmas Day.'

Langton Comment: Greene King has performed strongly over Christmas and, though there is no regional detail in today's statement, it is likely that its presence in London has contributed materially to its overall result.

The group is a quality operator with a well-invested and well-located estate. FY14 to date is looking good and, with soft comps in March due to snow last year, the year as a whole should be very satisfactory.

Trading in the group's Q1 FY15 will be up against tough comps but the group has something of a winner in Hungry Horse and new builds now a major feature of strategy going forward.

The group is pencilled in to make in the region of 61p per share in the current year suggesting that the group's shares trade on a current year multiple of around 14.7x falling to 13.7x next year. The group is trading well and offers a degree of certainty but its shares are not currently particularly cheap

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