



8 Sept 2015

GREENE KING (GNK): 811p Q1 trading update – 18w to 6 Sept 2015:

Group reports 'all major sales categories are in LFL sales growth.'

Year to end-Apr	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2015 (A)	168.5	61.0	13.3	29.75	3.7
2016 (E)	228.4	64.3	12.6	31.30	3.9
2017 (E)*	270.0	71.7	11.3	34.10	4.2

Source: Company & Broker Estimates, *including part-year Spirit

Q1 Trading Update: 18wks to 6 Sept 2015:

Greene King has this morning updated on trading for the 18w to 6 Sept and our comments are set out below:

Current Trading:

- Greene King reports that 'in the first 18 weeks of the year, like-for-like (LFL) sales in Greene King Retail grew by 1.3% with growth of 1.9% in the last ten weeks.'
- It says 'all major sales categories are in LFL sales growth.'
- Scotland is a bit of an issue but GNK reports 'excluding the continued impact of drink-driving regulations in Scotland, LFL sales were up 1.8% in the first 18 weeks, and up 2.4% in the last ten weeks.'
- Re Spirit, GNK reports 'LFL sales in the Spirit managed estate grew by 0.8% over the last 18 weeks.'
- Re leased & tenanted income, GNK reports 'in our Pub Partners business, LFL net income was up by 2.0% after 16 weeks, while it was up 1.1% in the Spirit leased estate.'
- Brewing & Brands own-brewed volume grew 1.7% in the first 18 weeks of the year 'with good growth seen from Old Speckled Hen, Greene King IPA and Abbot Ale, despite strong Take Home comparatives due to the World Cup last year.'
- LfL sales trends are set out below:
- **Tab.1. Greene King's Sales Trends:**

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Market Cap: £2.6n
12m range 716p – 887p

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
H1 13/14	+3.5	+5.2	+1.7
FY 13/14	+4.1	+5.2	+4.6
18w of 14/15	+0.4	+3.7LfL	+6.2
H1 14/15	+0.8	+3.7LfL	+5.9
36w of 14/15	+0.6	+2.8	+5.2
FY 14/15	+0.4	+3.5	+4.2
8w 15/16	+0.6	+1.2	-3.7
18w 15/16	+1.3	+2.0	+1.7

Source: Company Reports, *48wks

Spirit Update:

- Greene King reports 'although it is still early in the process, the integration of Spirit is going well and we remain confident of generating at least £30m of cost synergies.'
- It says 'on 28 August 2015, we exchanged contracts on all 16 of the pubs that we were required to sell by the Competition and Markets Authority and we expect completion in early October 2015' and adds 'we will provide a further update on the integration at our interim results on 2 December 2015.'

Langton Comment: Greene King's numbers are reassuring and its comment to the effect that trading has picked up in the last 10wks is helpful.

There is no comment on margins.

Numbers remain relatively fluid but GNK looks as though it should earn around 64.3p in the current financial year, suggesting that the group's shares trade on around 12.6x earnings. The group's shares yield around 3.9%.

Overall, GNK has sold many of its bottom end tenancies and has purchased Spirit. The average quality of the estate is improved. There will still be some low-hanging fruit re capex post-merger and the integration benefits, though one-off, should be achievable.

Greene King's shares are not expensive but, in an industry with a number of operators in which one can invest one's money, we are not short of choice.

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