



30 Jan 2014

MITCHELLS & BUTLERS (MAB): 438.5p Q1 Update for the 17w to 25 Jan 2014

Group reports ‘...our trading performance over the firstive period was strong...’

Year to end-Sep	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	150.0	34.9	12.6	Nil	Nil
2014 (E)	191.6	36.3	12.1	2.0	0.4
2015 (E)	209.5	39.7	11.0	5.5	1.3

Source: Company & Broker Estimates

Q1 update, 17w to 25 Jan 2014:

Mitchells & Butlers has this morning released the trading statement that will accompany its AGM later today and our comments are set out below:

- Mitchells & Butlers has updated on trading over Christmas and more widely for the 17w to 25 January saying that its performance has been ‘strong’ with Xmas Day LfL sales up by 7.5%
- The group has reported LfL sales up by 2.6% over Christmas (3w) and up by 2.0% in the 17w as a whole
- Growth accelerated during the period with LfL sales up by 0.1% in the 8w to 23 November but up by 2.0% for the 17w implying more than 4% for the last 7w
- Food sales were up by 2.5% LfL over the 17w and drink sales were up by 1.3% and recent trends are shown below:

• Tab.1. Mitchells & Butlers LfL Sales Trends:

Period	LfL sales (%)
FY 08/09	+1.6
FY 09/10	+2.8
FY 10/11	+2.6
H1 11/12	+2.7
FY 11/12	+2.1
H1 12/13	+0.3
FY 12/13	+0.4
First 8w of 13/14	+0.1
Implied next 7w of 13/14	+4.7

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Market Cap: £1.8bn
12m range 298p 466p

First 17w of 13/14

+2.0

Source: Company Reports

- M&B reports that it has opened 10 new sites in the year to date (including four acquired from Convivial London Pubs) and it has installed upgraded systems in 400 pubs.
- It says 'there has been no material change to the financial position of the business since the Full Year Results announcement'
- The group says 'we have delivered a strong trading performance over our busiest time of the year' and CEO Alistair Darby goes on to say that his company is 'delivering against our transformation plan to create sustainable value for shareholders'

Langton Comment: M&B's shares have performed strongly since it informed the market that trading in its Q4 and in the first 8 weeks of Q1 were a little sluggish, rising from around 380p to today's c440p, a level at which they trade at around 12.1x this year's earnings and 11.0x those for FY15.

Today's statement is reassuring as the group has turned in a good Christmas (in line with peers) and London will have performed particularly strongly.

The group has an excellent portfolio of assets and observers may conclude that, after a period of intense uncertainty, M&B should be capable of delivering a good performance if it is directed such that it performs to its full potential.

However, the group is hardly underinvested and it needs to keep its plates spinning whilst sourcing new avenues of growth. There is no comment here on dividend and the group's pension deficit may weigh on the dividend decision going forward.

On only 11.0x next year's earnings the group is cheap on fundamentals but its share register remains an issue and value may not come out in the same way or as quickly as it perhaps could in other circumstances.

Whilst acknowledging the latent strength of M&B's business, we would be tempted to look for value elsewhere.

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