

1 September 2011

## Leisure: Punch Taverns (PUB): 9.5p Full year trading update conference call

Following the release of its trading update, Punch Taverns hosted a conference call for analysts at which we believe the main points to emerge were as follows:

- Trading - Leased:
  1. Overall, these were in line with expectations
  2. There is no sign of a letting up of pressure in the short term
  3. LfL income in the non-core estate? Turnaround figures not given in statement but was around minus 13%.
  4. Punch A and Punch B performing similarly? Not monitored in this way but will be similar.
  5. Beer v Rent? Beer has come down, rent is a lagging indicator.
- Trading - Matthew Clark:
  1. Performing well in a difficult market.
  2. Will it pay a dividend to PLC? Some £8m of dividend was received during the year (prior to demerger). This should be on-going.
- Initiatives:
  1. Punch buying club? This was covering 18% of sales, won't say more at present but will update at finals.
- Cash and debt:
  1. End of June position was £92m and had suggested that this would grow by around £20m by end-September. This has happened.
  2. Rate of disposals has increased. Put more units on the market. Disposals are in line with book value.
    1. Turnaround estate is valued at £278k each & disposals should be around that level
    2. Were disposals across both Punch A and Punch B? Split not given but will be pro-rata. Proceeds being used to pre-pay debt.
  3. Turnaround estate has more pubs in Midlands and North.
  4. Cash paid into securitisations? Will give more details at the group's finals though group confirmed some support had been given in Q4.

**Langcap Comment:** Punch has stressed that it is trading in line with expectations, is making disposals and that the average income per unit is now in positive territory, at least in the core estate. Nonetheless, the equity value of the group remains very small compared with the scale of the company's debt and execution risks remain. Given this, investors may not currently consider the stock to be attractive at present.

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