

1 September 2011

## Leisure: Punch Taverns (PUB): 9.5p Full year trading update to 20 Aug 2011

Punch Taverns has this morning updated on trading for the fourth quarter (12 weeks) to 20 August 2011. The report, the first since the group split from its managed business, Spirit Pub Company, suggests that trading has been in line with expectations and our comments are set out below:

- Punch Taverns has updated on trading for the 12 weeks to 20 August 2011 saying that it has been 'in line with...expectations allowing for the impact of the FIFA World Cup in June last year'
- LfL EBITDA per pub has fallen by 2.4% in Q4 in the core estate (-2.1% on the 52 weeks) and the total estate is minus 5.0% in Q4 and down by 5.2% on the full year
- Average net income per pub, allowing for bottom-end disposals, is +0.9% (presumably in the core estate) over the 52 weeks and details are set out below:

<i>Period</i>	<i>LfL EBITDA/pub % (Total estate)</i>
FY 07/08	-3.4
H1 FY 08/09	-11.3
H2 FY 08/09	
Full year 08/09	-11.0
H1 FY 09/10	-11.0
Full year 09/10	c-11
First 16w of 2010/11	-8.7
Q2 2010/11	-6.1
H1 2010/11	-7.0
Q3 (12w to 28 May 11)	-0.7
12w to 20 Aug 11	-5.0
FY 10/11	-5.2

*Source: Punch Taverns*

- Trading has not been easy and the World Cup last year has distorted Q4 numbers
- Nonetheless, the group maintains that average net income has risen during the year and comments that 'regional trends in trading reflect those reported elsewhere in the sector'
- During the year, Punch has sold 398 non-core pubs, generating some £108m, 'broadly in line with book value'
- The rate of disposals picked up in Q4 and as at 20 Aug the group had 2,951 pubs in its Core division and 2,053 in Turnaround
- CEO Roger Whiteside suggests his company will 'build on the positive momentum delivered throughout the year' and is 'on track to meet...expectations for the full year'

**Langcap Comment:** Punch Taverns, if the World Cup is air-brushed out, has reported a continued trend towards a stable level of EBITDA in its business.

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LfL EBITDA is still in decline however and, compared with inflation (CPI) at 4.4%, the backward move remains unhelpful. Tenants are under pressure and their performance, over the longer term, is what will impact Punch's numbers. Nonetheless, the group has sought to reassure and it will update further at its 12 noon conference call.

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