



20 October 2011

Leisure: Punch Taverns (PUB): 9.7p Full year results to 20 Aug 2011

Punch Taverns has this morning reported full year results to 20 August 2011, its first results since the demerger of its managed business. Our comments are set out below:

- Punch Taverns has reported full year results to 20 August 2011, the first time that it has reported since the demerger of its managed business
- Revenues are £522m (2010: £607m), EBITDA is £258m (2010: £291m), PBT is £76m (2010: £90m) and EPS is 8.6p (2010: 9.9p); there is no dividend
- The group has £113m of cash reserves held outside of its securitisations and had a year-end book value per share of 31p
- Punch has announced the first increase in average net income per pub (including the impact of bottom-end disposals) for three years
- The core estate (the group's better pubs) are nonetheless down by 2.1% over the year (2010: minus 5.1%) and recent trends are set out below:

Period	LfL EBITDA/pub % (Total estate)
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
H1 2010/11	-7.0
FY 10/11	-5.2
First 8w of 2011/12	'in line with expectations'

Source: Punch Taverns

- Trading has not been easy and the World Cup last year has distorted Q4 numbers but an increase in average net income per pub is something of a breakthrough
- Net debt has been reduced by £133m over the year, 398 pubs were sold during the period and units in the group's 2,053 pub strong turnaround division will continue to be sold off where possible
- Trading is currently 'in line with management expectations' but the 'consumer environment is likely to remain challenging in the near-term'

Langcap Comment: Punch Taverns, particularly if the World Cup is air-brushed out, has reported a continued trend towards a stable level of EBITDA in its business. 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. The recent BISC announcement that it expected the government to legislate on the relationship between pub companies and their

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tenants remains something of an unknown and the group's shares, trading at around 1/3 of asset value and on an historic PER of around 1x earnings, reflect a great deal of risk. Forecasts for the current year, of around 6.6p are constantly under review and the value of the group's shares is likely to be determined by trading over the next three years and the negotiations that take place over that time with the group's bond holders.

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