

11 May 2011

Leisure: Restaurant Group (RTN): 329p AGM & 18 week trading update

- Restaurant Group has this morning released the trading statement that will accompany its AGM later today commenting that trading in the first 18 weeks of the current year has been 'satisfactory'
- LfL sales are up by 0.5%; they were up by 3.0% at week nine implying that the last nine weeks were minus 2.0%
- Total sales including new openings are 5.5% ahead; margins are 'broadly in line with management's expectations' – sales trends are shown below:

Period	LfL sales % year-on-year
First 9w of 2010	+1.00
First 27w	-0.50
First 35w	+0.00
First 45w	+0.25
53w to 2 Jan 2011	-1.00
First 9w of 2011	+3.00
First 18w of 2011	+0.50
<i>Implying last 9w</i>	-2.00

Source: Restaurant Group PLC

- Leisure has 'traded well'; pub restaurants (i.e. units with beer gardens) have turned in a 'particularly strong performance' but retail parks, leisure parks etc. have seen 'variable' footfall
- Concessions have 'traded well' and the group expects to open between 22 and 27 new restaurants this year across both divisions
- The group's balance sheet is 'strong' and net debt 'has not changed materially'
- Trading conditions during 2011 is expected to be 'similarly challenging' to those of 2010 but the group is confident of reporting progress for H1

Langcap view: The warm weather has clearly not been good for Restaurant Group and trading has slowed. RPI is 5.3%, of course, but comps are now softer (ash cloud and ultimately the World Cup last year) and progress is going to be made in H1. Forecasts of around £62m (22p; PER 15.0x) are not likely to rise on today's statement and may come under a little downward pressure. However, the group remains well-capitalised and trading on retail and leisure parks should recover under normal conditions. Nonetheless, we continue to believe that there may be better value elsewhere and would lighten holdings at these levels.

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