



15 Nov 2013

RESTAURANT GROUP (RTN): 556p Q3 Trading Update: 45w to 10 Nov 2013

Trading slows, some may question the group's rating...'

Year to end-Dec	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2012 (A)	64.6	24.1	23.1	11.80	2.1
2013 (E)	71.6	26.9	20.7	13.29	2.4
2014 (E)	79.7	30.1	18.5	14.78	2.7

Source: Company & Broker Estimates

Q3 IMS: 45w to 10 Nov 2013:

Key Points Re Restaurant Group:

The Restaurant Group has this morning updated on trading for its Q3 and for the year to 10 November and our comments are set out below:

- Restaurant Group has reported that sales in the first 45 weeks of its current financial year are up by 3.5% and that total sales are some 9.1% ahead
- The group had been up by 5.0% at week 26 and the first 8 months of the year were up by 4.25%
- This suggests that, in order for the maths to work, sales in the 11 weeks that are being guided on today must have been up by only around 1.2% on a LfL basis
- Recent trends have been as follows:

Tab.1. Restaurant Group Recent LfL Sales' Trends:

Period	LfL (%)
H1 - 2010	-0.50
FY - 2010	-1.00
H1 - 2011	+3.00
FY - 2011	+3.25
H1 - 2012	+3.25
FY - 2012	+4.50
H1 - 2013	+5.00
1 st 8 mths 2012	+4.25
First 45w 2013	+3.50

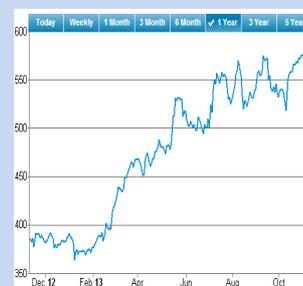
Source: Company Reports

Find us at:



Recent News Here:

- [Today's email](#)
- [Recent emails](#)
- [A day in the life...](#)
- [Who we are, what we do...](#)
- [Upcoming news-flow](#)
- [Recent company updates](#)
- [Thematic pieces](#)
- [LinkedIn profile](#)



Market Cap: £1.12bn
12m range 365p 580p

- The group opened 21 new units during the year to date having opened seven in H1. It now expects to open between 33 and 35 over the year as a whole (little change from H1 guidance) and says 'we anticipate opening more new restaurants in 2014 than in 2013'
- RTN says its 'balance sheet position remains very solid with continuing strong cash generation, which allows the Group to maintain investment in our existing portfolio and open new restaurants.'
- Re the outlook, RTN concludes 'the Group has traded well, with like-for-like sales growth in both September and October.'
- The maths suggests a marginal increase overall and the group says 'although the like-for-like comparatives are much tougher during November, we are confident that the business will continue to make good progress during the remainder of the year and we are on track to meet expectations for the full year.'

Langton Comment: Restaurant Group was up by 5.00% at H1 and trading has slowed. True this is due in large part to tougher comps but some holders may question the group's share price multiple.

The group reassured at its H1 that the hot weather in July did not disrupt trading unduly but November looks to be a lot tougher. Nonetheless, the group has suggested that forecasts look secure for the full year but again, the multiple may be questioned thereafter.

Like for like growth, of course, is not everything and the group is to step up its pace of openings.

The group is set to earn perhaps £71.6m in profit this year (and around £80m next) suggesting Earnings per Share of around 26.9p, rising to around 30p next year. Therefore RTN's shares trade on a multiple of almost 21x this year's earnings falling to 18.5x 2014 earnings. The group's shares should yield around 2.4% this year and 2.7% next.

This suggests that the shares, which are not asset backed, are somewhat expensive compared with the likes of Marston's, Greene King and Mitchells & Butlers. Interestingly, the group's EPS and DPS are almost the same as those for William Morrison but the RTN share price is twice that of MRW. We would be inclined to take profits and think that today's announcement may encourage others to do so.

Contact – Mark Brumby - +44(0)20 7702 3389

mark.brumby@langtoncapital.co.uk

This message (and files contained herein) may contain confidential or proprietary information and is intended solely for the use of the individual or organisation to whom it is addressed. If you are not the addressee you should not disseminate, distribute or copy this email or any part thereof. Further, please notify the author immediately by telephone or by replying to this email and then delete all copies of the correspondence from your system. We apologise for any inconvenience that this may have caused. This information is a financial promotion for the purpose of the European Markets in Financial Instruments Directive (MiFID) and FSA's Rules. It has not been prepared in accordance with the legal requirements designed to promote the independence or objectivity of investment research. This document is not based upon detailed analysis by Langton Capital of any market, issuer or security named herein and does not constitute formal research or a research recommendation, either expressly or otherwise. It is not investment advice and does not take into account the investment objectives and policies, financial position or portfolio composition of any recipient. This document should not be relied upon as authoritative or taken in substitution for the exercise of your own commercial judgment. Whilst Langton Capital has taken steps to control the spread of viruses on its systems, it cannot guarantee that this email and any files transmitted with it are virus free. No liability is accepted for any errors, omissions, interceptions, corrupted email, lost communications or late delivery arising as a result of receiving this message via the Internet or for any virus that may be contained in it. Recipients should review independently and / or obtain independent professional advice and draw their conclusions therefrom should decide to undertake transactions with third parties. Langton Capital or its employees may have positions in securities mentioned herein. We reserve the right to monitor email messages passing through our network. Langton Capital Limited is authorised and regulated by the Financial Services Authority. Langton Capital Limited is registered in England number 07112949.

Mark.brumby@langtoncapital.co.uk

Suite 415, No1 Alie Street, London, E1 8DE
020 7702 3389