



25 Feb 2014

RESTAURANT GROUP (RTN): 654p

Full year numbers; 52w to 29 Dec 2013

'Group had another strong performance in 2013 with significant growth in revenues, profits & cash flow...'

Year to end-Dec	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2012 (A)	64.6	24.1	27.1	11.8	1.8
2013 (E)	72.7	28.0	23.4	14.0	2.1
2014 (E)	80.3	30.3	21.6	14.9	2.3
2015 (E)	90.1	33.9	19.3	16.5	2.5

Source: Company & Broker Estimates

Full year numbers for the 52w to 29 Dec 2013:

Key Numbers:

The Restaurant Group has this morning reported full year numbers (52w) to 29 December and our comments are set out below:

- Restaurant Group has reported that it achieved a 12.5% increase in PBT for the year to £72.7m (estimates £72.6m) with earnings up by 16% to 28.0p (estimates around 27.0p)
- Margins are up and all businesses increased their sales and profits
- The group is proposing a full year dividend of 14.0p against 11.8p last year and estimates of around 13.5p
- Group revenues rose to £580m with LfL sales over the year up by 3.5% (it reports that it increased LfL sales in 11 of the 12 months under review) and 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

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Market Cap: £1.31bn
12m range 390p 665p

First 45w 2013	+3.50
FY - 2013	+3.50
First 8w 2014	+3.50

Source: Company Reports

Other Key Features:

- Restaurant Group opened some 35 restaurants during the year with 19 of them opening in the final two months of the year
- This should ensure that momentum continues into the current year and the group says 'looking forward, we have a superb pipeline of new sites covering the period 2014 to 2016.'
- It should open between 36 and 43 new sites this year
- The group says 'the continuing squeeze on household finances has been widely reported' but it has nonetheless managed to outperform
- Cash flow was good at £117m (2012: £102m) but debt increased by £5.9m to £41.9m due to the increased opening programme
- As previously announced, group CEO Andrew Page will be retiring at the end of August after thirteen years with the Group – though he 'has agreed to continue as an Advisor to the Chairman and Board on an annually renewable basis for two days a week.'

Langton Comment: Restaurant Group updated on full year trading in early January and, though the numbers are fractionally better than the subsequently upgraded numbers, the new news since then has been the retirement of CEO Andrew Page and the fact that current has continued in line with that seen throughout 2014.

November was tough (Skyfall comps) but the has essentially sailed through unharmed and the pace of openings is to be stepped up.

The group is set to earn perhaps £80m in the year that has just commenced (perhaps subject to a small upgrade) giving around 30p in earnings. Therefore RTN's shares trade on a multiple of around 21.6x this year's earnings, falling to perhaps 19.3x 2015. The group's shares should yield around 2.3% this year and perhaps 2.5% next.

Whilst the group maintains that Coast to Coast will be rolled out and that the rate of openings will increase, this multiple suggests that the shares, which are not asset backed, are somewhat expensive compared with the likes of Marston's, Greene King and Mitchells & Butlers.

This has, however, been the case for some time and the group understandably has a loyal shareholder base. Nonetheless, to arrive at the situation afresh might not prompt non-holders to buy and, with that in mind, it may make sense to lock in some profits at these share price levels.

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